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their money, spend it on the latest whims of their be- 829
nighted souls. 577

This order of things revolts a person from the East. In his country, anyone who displays any talent is used. In the West, the same man would have very little chance of success. Western economy squanders talent to an incredible degree; and the few who do succeed owe their success as often to pure luck as to native ability. In the countries of the New Faith, the counterpart to this waste lies in the fact that the capacity to follow the political line is a selective criterion by which the most mediocre often attain the greatest renown. Nevertheless, the artist or scholar in the East earns his living more easily than his colleague in the West. Even though the pressure of the Method is burdensome, its material compensations are not to be scorned. Many musicians, painters, and writers who had the opportunity to flee to the West did not do so because they felt it was better to compose, paint, or write somehow or other, rather than to teach or work in a factory, with no time or energy left in which to perfect their true craft. Many of those who were abroad returned to their own countries chiefly for this reason.

Fear of the indifference with which the economic system of the West treats its artists and scholars is widespread among Eastern intellectuals. They say it is better to deal with an intelligent devil than with a good-natured idiot. An intelligent devil understands their mutual interests and lets them live by a pen, a chisel, or a brush, caring for his clients and making his demands. A good-hearted idiot does not understand these interests, gives nothing and asks nothing—which in practice amounts to polite cruelty.

To the people of the East it is axiomatic that the basic 829
means of production should belong to the State, that they 471

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829 should be regulated according to a planned economy, and
• [471] that their proceeds should be used for hygienic, cultural, scientific, and artistic ends. It is naïve to seek partisans of capitalism in their midst. The *something* these people look for in the West is certainly not warmed-over watchwords of the French Revolution or the American War of Independence. They laugh at the argument that factories and mines should belong to private individuals. Their search for *something* springs from a more or less clear understanding of the fact that the New Faith is incapable of satisfying the spiritual needs of mankind, for its efforts in that direction have with inexorable regularity turned into caricature. If they were forced to formulate what they seek, they would undoubtedly reply that they want a system with a socialist economy, but one in which man need not struggle desperately in the snake-like embrace of the Method. So they seek some sign indicating that real cultural values can arise outside the scope of the Method. But they must be lasting values, geared to the future, and therefore not products of obsolete concepts. Anything less would serve merely to confirm the Method. The people in the countries of the New Faith know that *only* in the West can there appear works that will bear the seeds of hope for the future. Perhaps discoveries no less important than those of Marx or Darwin have already been perfected in the workrooms of isolated philosophers. But how does one find them?

The Eastern intellectual is a severe critic of everything that penetrates to him from the West. He has been deceived so often that he does not want cheap consolation which will eventually prove all the more depressing. The War left him suspicious and highly skilled in unmasking sham and pretense. He has rejected a great many books that he liked before the War, as well as a great many

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Party. Its more sensitive members secretly bow to the necessity of making concessions. They believe that collectivization should be preceded by cooperative use of machinery on private fields, and that it can come only after a long introductory phase of education, extending possibly over decades. This temporizing spirit breeds trouble; that is why the whispered slogans of the "national Communists" are always so popular. But the Center exacts a certain tempo. The structure of every dependent country must be brought to resemble that of Russia as quickly as possible.

This problem, in turn, affects the cities. Peasants are divided into three categories—"poor," "middle," and "kulak"—in an effort to break their solidarity by engendering mutual antagonisms. A peasant's wealth is rated not only by the amount of land he holds, but by how many horses, cows, and pigs he owns, how he lives, eats, and dresses. Lest he fall into an uncomfortable classification, he drops farming and flees to the city; or else he keeps only a minimum amount of livestock and pretends to be poor. As a result, the city suffers from a lack of provisions.

But the peasants are not dangerous. They may beat up a Party boss or even kill him in a burst of desperation, but nothing more. When the state is the sole buyer of their produce, and when they cannot voice their protest at the amount of tribute the state demands of them, they are powerless. The security police can easily handle recalcitrants, especially since it can complain of no lack of informers, now that informing has become an excellent means of saving oneself. The peasants are a leaderless mass. History shows few instances when they seriously threatened the rulers. The term "peasant revolt" sounds nice in textbooks and has a certain propaganda value, but only for the naïve. In reality, the peasants have almost al-

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2. *Agrarian Policy Under the Soviets* (1917-1945)

The jerry-built alliance between proletariat and peasantry was put to severe strain almost immediately after its inception. The peasants parceled out the land and fought to hold their gains in the face of the "white" counter-revolution and foreign intervention. But the harsh, forced food requisitions demand by the Bolsheviks soon alienated the countryside, and the resignation of the Left Social Revolutionaries from the Soviet government soon made it clear that political control was entirely in the hands of the Bolsheviks.

The gulf dividing the peasants from their erstwhile comrades-in-arms was aptly symbolized by the law on nationalization of the land (February 19, 1918), decreeing that all land was the property of the State and was to be used only by those willing to till it. Though the law itself remained for a long time only a paper document, it presaged future conflicts. The Bolshevik experiments with collective forms of agriculture were another ominous sign for the future, although the early collectives, chiefly composed of landless peasants and romantic urban intellectuals, constituted no threat to the established rural order.[16] Indeed, in the first decade of the Revolution there were no suggestions of the full-scale onslaught of collectivization that was to come, and no talk of a "collectivization drive." Lenin's frequently repeated warnings against coercion of the middle peasants (*srednyaki*) were taken to reflect settled policy. "You cannot create anything here by coercion," he said, and added:

> Even in Europe, where [the middle peasantry] nowhere achieves such strength, where technology and culture, city life and railroads are tremendously developed, and where it would be easiest of all to think of such a thing, nobody, not even the most revolutionary of Socialists, has ever proposed adopting measures of coercion towards the middle peasantry.[17]

But events themselves were to force a harsher policy and the revolutionary alliance was soon cracked wide open. Heavy strains

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[16] Three types of communal farming were organized in the early period: 1) The Commune, a form in which all property was owned and all labor performed in common, where living itself was a cooperative venture. 2) The artel, a mixed form in which cooperative ownership and labor was found alongside private ownership and labor. 3) The TOZ, a "primitive" communal form in which cooperation was limited to the joint cultivation of the land. For a fuller description, see Harry Schwartz, *Russia's Soviet Economy* (New York, 1950), p. 259.

[17] Lenin, *Selected Works*, Vol. VIII, pp. 178-79.

were generated by the agricultural crisis and the ensuing famine of 1920-21. To meet the needs of the urban population, the Bolsheviks decreed a forced food levy (December 14, 1920) by which peasants were ordered to deliver their entire surplus to the State. The peasants, retaliating in kind, produced little more than their own needs demanded. Scattered peasant uprisings, together with the Kronstadt rebellion early in 1921, combined to force a change of policy on the new regime. The strict codes of "War Communism" were abrogated and the New Economic Policy (NEP) was launched. Delivery quotas were introduced (amounting to a tax-in-kind) and peasants were encouraged to produce for a flourishing free market.

Thus, for a time under NEP the peasants, who now controlled almost all the arable land, were permitted to enjoy the fruits of their revolutionary exertions. Agricultural production recovered rapidly and a degree of national prosperity resulted. But the Bolsheviks had paid a price for this prosperity – the restoration of free market relations between town and country.

The Leninist Dilemma

The unstable compromise of NEP postponed the inevitable clash between the "proletarian dictatorship" and the victorious peasant revolution. Two parallel developments were rapidly to hasten the impending struggle: throughout the NEP period (1921-28) the peasants tightened their hold on the land, many of them growing relatively prosperous, and thereby fortifying their gains. At the same time the Bolsheviks were tightening their hold on the political machinery of the State and turning their party into a monolithic organization capable of an outright offensive against the rest of the country. Thus, the stage was set for the gigantic economic struggle of the late twenties.

The issue at stake between the Bolsheviks and the peasantry was only partly ideological. The conflict between the Bolshevik belief in the superior efficacy of large-scale "socialist" farming and the peasants' allegiance to his traditional "way of life" was important, but this conflict was subordinated to another one which was economic in character. The peasants and the Bolshevik regime faced each other across the table on which the grain produce of Russia was negotiated. And it was, in fact, in the realm of economics

578 185 that the two antagonists met and clashed in the "war" which resulted in collectivized agriculture.[18]

The problem which the Bolsheviks had to deal with may be briefly stated. NEP had insured the continued political existence of the regime; but salvation had been achieved at a great price. To obtain a sufficient supply of agricultural produce to feed the rising urban population and, if possible, to permit acceleration of industrial growth, it was necessary to provide increased incentives for the peasantry. But to provide incentives for an increased supply of produce to the cities, it was also necessary to create an industry capable of supplying peasants with the consumer goods and agricultural machinery they demanded in exchange. Without recourse to foreign capital, this, in turn, was impossible, unless a steadily increasing supply of agricultural produce was guaranteed.

The problem of breaking this vicious circle occupied the thoughts of the best Party theoreticians throughout the period of NEP. Some, like Bukharin, suggested a solution bearing some resemblance to the pre-Revolutionary policies of Witte and Stolypin – a "gradualist" approach to industrialization, encouragement of the more efficient middle peasant producers, and limited recourse to foreign capital. Trotsky, as the leader of the radical Left Wing, called for an immediate drive for industrialization in which the peasants would absorb the major shock. The theoretical debate rose to its climax in the late twenties, coinciding with the final victory of the Stalinist faction of the Bolshevik Party and the resurgence of the agricultural crisis in a new form.[19]

The Pre-collectivization Crisis

185 ● 471 423 The Stalinist "solution" to the agricultural crisis (collectivization) did not proceed according to a predetermined plan or theory. Rather, it was developed pragmatically as a response to critical

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[18] Lazar Volin, a foremost American student of Soviet agriculture, also assigned priority to the practical, as opposed to the ideological basis of collectivization. He explained the Communist attachment to the *kolkhoz* in this way: "First, the practical or pragmatic reasons . . . [revolving] around the need for large supplies of cheap agricultural products to feed and clothe the growing industrial population and the army . . . Second, an ideological predilection for agrarian collectivism, rooted in the Marxist-Leninist-Stalinist dogma." Lazar Volin, "Agricultural Organization," *Soviet Economic Growth*, Abraham Bergson (editor), White Plains, N. Y., 1953, p. 286.

[19] A reliable account of the heated Party economic debate may be found in Maurice Dobb, *Soviet Economic Development since* 1917 (New York, 1948), pp. 208-229, and of the political implications of the debate in Isaac Deutscher, *Stalin: A Political Biography* (Oxford, 1949), pp. 294-304.

economic conditions and the special requirements of the first Five Year Plan. Indeed, the first collectivization drive was expected to bring only 14 per cent of the land into the "socialist sector". The overwhelming success of the drive was as much a surprise to the Communist leadership as to the peasants themselves. And it was only when the drive turned out to be so phenomenally successful that the Communist planners stepped up the targets and pace of the Five Year Plan itself.

The agricultural crisis which inspired the collectivization drive of the first Five Year Plan had its origins in two situations: First, the acute grain shortage of 1927-28, and second, and more important, the post-Revolutionary structure of the land (see Chart I). As a result of the peasant revolution of 1917-18, the small and medium peasantry occupied almost all the arable land in the Soviet Union. Where they had produced only 50 per cent of nation's grain in pre-war times, they produced 85 per cent in 1926-27. Since the poor and middle peasants marketed a far smaller percentage of the grain they produced than had the great landowners and kulaks of pre-war times, their domination of the land produced a serious drop in marketed commodities.

Thus, while total grain production had declined by only five per cent below pre-Revolutionary levels, marketed grain had declined by *more than* 50 *per cent* – from 26 per cent of five billion poods in 1913 to 13.3 per cent of 4.749 billion poods in 1926-27.[30] The cities received far less grain than they had received in pre-war times; and due to a number of factors (among them the competition between various State purchasing agencies), the cities were paying a higher price for the grain they could obtain. One of the most serious consequences of this new relationship was the fact that little grain was available for foreign export to pay for desperately needed capital equipment.

The basic problem for the regime was to create an agricultural structure which would enable the State to siphon off a *far greater proportion of the total product*, at a price it wished to pay, than was possible under the conditions of NEP. While it is true that the regime wished to increase total agricultural production, and may have expected to achieve the goal through increased mechanization of the farms, this target was secondary. For achieving the primary goal – extraction of a greater *proportion* of the produce –

[30] A pood equals 36 pounds.

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the vehicle of the large-scale collective farm, heretofore neglected, stood ready at hand.[21] 185 471 ●

The very essence of the *kolkhoz* (collective farm) system lay in the ease with which it facilitated extraction of heavy tribute from the land in the form of extremely cheap supplies of foodstuffs and industrial crops. Thus, the rise of the Stalinist land system was closely connected with the Party's program of break-neck industrialization, massive capital investments, and strategic projects at the expense of consumption. The ever-tightening hold of the regime over the industrial working class made possible implementation of these policies without the development of consumer goods facilities; and therefore the regime could permit a drop in the levels of consumption without jeopardizing its plan. The new agricultural program – designed primarily to *redistribute* agricultural produce rather than to *increase* it – was consistent with this aspect of the plan. Moreover, the political hold collectivization afforded over the peasants assured State control of the rural labor supply and enabled the State to channel manpower into non-agricultural occupation as it deemed necessary. 423

This was the general rationale behind collectivization. The immediate cause for the first collectivization drive lay, however, in the mounting economic tensions of the late 1920s. As early as 1925-26 the regime had sought to reimpose many of the agrarian controls lifted in 1921, at the time of the inauguration of NEP. To implement this policy, agricultural prices were once again restricted and production itself subjected to heavy taxes. Retaliating in kind, the peasants drove production downward, hoarded again, and consumed what they could not hide or sell.[22] As a consequence State grain collections in 1928-29 dropped more than one-third below the level of two years before. Tension in the countryside mounted. The means by which the new monolithic party chose to meet this situation was of a magnitude equal to the challenge.

The Stalinist Solution to the Land Problem

The great offensive against the peasantry was launched late 423 185

[21] The *artel* was considered the best form of collective agriculture since it combined a sufficient number of communal features to guarantee State control with sufficient household autonomy to make it structurally feasible to the peasants. The State-appointed managers, supported by local party administrators, could enforce peasant cooperation with the Plan; and the continued existence of individual households offered the peasant that minimum of private incentive consistent with the cooperation.

[22] This crisis is well described in Dobb, p. 222.

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241 produced more for the market per hectare of arable land than did
423 the private sector. In 1932, 60 per cent of all households in the
185 Soviet Union had been collectivized, embracing 66 per cent of the sown area. Yet the collective and State farms (*sovkhozy*) supplied 84 per cent of the marketed grain and 83 per cent of the cotton.[28]

241 With the reinforcement of the collective farm system the State
185 was in a position where it could force the peasants to serve as a
● 471 cushion for harvest shocks. In 1937, a bumper year, the peasants
423 received 35.9 per cent of the total grain crop for division among themselves; but in 1938-39, mediocre crop years, the peasants received only 26.9 and 22.9 per cent of the total, despite the fact that a smaller gross volume was to be shared.[29] In each case primary State needs governed the division of the agricultural yield. The Soviet Government had created an administrative apparatus which insured, in the words of one observer, that "if anyone was to starve, [the peasants] would be the first to do so."[30]

The function of the State farms in the Soviet system is similarly related to the problem of agricultural deliveries. Though accounting for no more than 10 per cent of the arable area in 1937, the *sovkhozy* delivered 30 per cent of the milk, 25 per cent of the wool, and 24 per cent of the meat delivered to the State in that year. Whereas the grain producing collectives delivered only one-third of their total product to the State in the late thirties, the *sovkhozy* contributed three-quarters of their crop.[31] Hence, it may be said that, from the point of view of the Soviet planner, the State farms bore a superiority over the collective farms similar to the superiority of the collectives over the private farms.

471 The case for collectivization was aptly summed up by N. A.
423 Voznesensky when he revealed that the Soviet government in World War II collected three times the annual amount of grain collected by the Czarist regime during World War I when "72 per cent of all marketed grain was concentrated in the hands of estate owners and kulaks." This threefold increase in marketable surplus

[28] Dobb, p. 249. There were, of course, other factors which accounted for the meagre quantity of goods placed on the market by the private sector, in particular, the amount of State discrimination against the private farms.
[29] Harry Schwartz, p. 265. Schwartz writes with regard to this question: "Only the government's complete domination of the peasantry through the collective farm system made this sharp change in the amount of grain collected possible." (p. 313).
[30] Leonard Hubbard, *The Economics of Soviet Agriculture* (London, 1939), p. 123.
[31] Harry Schwartz, p. 285.

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became possible, he concluded, "only on the basis of large-scale mechanized Socialist agriculture."[22] 471 423

The Stalinist System Developed

Since its establishment during the first Five Year Plan the collective farm system has undergone a period of modification (1933-38), a period of intensified exploitation (1938-41), a period of wartime chaos and relaxation (1941-45), and a period of reimposed controls and further tightening (1945-53).

In the early phases of collectivization, deliveries were fixed by arbitrary "contracts" between the *kolkhozy* and the State — the contracts resembling the compulsory requisitions of War Communism. By 1933 peasant opposition, though generally weak and disorganized, forced the regime to grant minor concessions. Foremost among these was a system of fixed quotas to replace the contractual levies. By this device it was hoped to induce the individual *kolkhoznik* to cultivate more intensively, since any surplus beyond the fixed quota was retained by the collective farm and distributed among its members. The concessionary mood of this era was reflected finally in the Artel Statute of 1935 granting the collective farmer a household plot (one-quarter to one-half hectare) and the right to own a limited number of livestock, permission to sell surplus foodstuffs on the urban free market, a more equitable payment system, and a much restricted voice in *kolkhoz* management.

In the years immediately preceding World War II the Soviet regime had again begun to encroach on the rights granted under the Artel Statute. In 1939 the State decreed severe penalties for infractions of collective farm discipline and in 1940 the workday was lengthened. Similarly the method of computing delivery quotas was made stricter. Henceforth norms were computed not on the basis of actual area sown, but on the basis of arable land owned by the collective farm. Since yield estimates computed by State officials were generally arbitrary, the hardship worked by this new departure was severe.

The main direction of the government on the eve of World War II was thus to restrict further the private sector within the collective farms and to redirect attention to the communal land. The result was that an increasing proportion of the peasants' prod-

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[22] Nikolai A. Voznesensky, *The Economy of the U.S.S.R. During World War II* (Public Affairs Press, Washington, D. C., 1948), p. 53.

fact was taken by the State. The regime was still tightening controls when the German Army attacked in June of 1941.

World War II subjected the entire collective system to its severest strain and, as Voznesensky observed, the system continued to supply the minimum of foodstuffs necessary for the war, although the regime had to loosen its hold considerably to guarantee the supply. That this achievement was a tribute to the vitality of the State agricultural administration, rather than the morale of the peasants, is suggested by the fact that in those areas invaded by the Germans - particularly Byelorussia and the Ukraine - large masses of peasants greeted them as liberators with the traditional bread and salt. But the Germans, who were as interested as their predecessors in a high "marketable surplus," maintained the kolkhozy intact. This policy and the standard Hitlerian excesses in conquered Slavic territory soon alienated the peasants.

With the defeat of the Nazi invasion and the cessation of hostilities in Europe and Asia, the Soviet regime sought to reimpose the agrarian controls loosened in wartime. In line with this policy, the government instituted a vast purge of collective farm directors and decreed a monetary reform in 1947 that wiped out at one stroke most of the savings accumulated by peasants during the war. Taxes on incomes derived from the household plots were raised sharply in 1948, 1950, and 1951; delivery quotas on dairy products and meats produced in the household plots were also raised. The culmination of this development in the kolkhozy was the shift from the zveno (link, or small unit) work system to large-scale labor brigades. Under an amalgamation program the number of collective farms in the Soviet Union was reduced from 252,000 to 97,000. A further effort in this direction was the plan associated with Khrushchev's name to weld the collective farms into vast "agro-towns" (agrogoroda), in which the peasantry would suffer the final transformation into a rural proletarist. Although this effort met with acknowledged failure, the theory behind it was not abandoned. In Stalin's last published work, Economic Problems of Socialism in the U.S.S.R., he called for a program of "gradual" transformation of collective into public property - in short, the eventual conversion of all agricultural units into State farms." [33]

[33] Joseph Stalin, Economic Problems of Socialism in the U.S.S.R. (International Publishers, New York), p. 51. In the same work Stalin called for a "relatively higher rate of expansion of the production of the means of production." The two programs - further statification of the farms and the acceleration of investment - were, in fact, inseparable.

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Stalin's last work represented the apex of the agricultural policies initiated under his leadership during the first Five Year Plan. In the period after his death the Communists lost the offensive for the first time since 1928 and began to restructure the system in terms of new realities.[34] But in all the revaluation of time-honored doctrines which followed Stalin's death, the essential necessity of the *kolkhoz* system to the Soviet way of life has never been disputed. For the Soviet leaders, at least, it had proved its worth.

This, then, was the system which the East European Communist Parties, drawing so heavily upon Soviet experience, attempted to introduce into the newly-conquered regions in the aftermath of World War II.

[34] See below, pp. 116-124.

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423 661 munists, with the Russian experience guiding them closely, followed it. The decision to collectivize was essentially the decision to pursue this path, for the increased exploitation of the peasantry implicit in it was the only path consistent with "carrying forward of our Socialist projects." The basic preparation for collectivization was therefore in the seizure or creation of those organs of repression through which the Communists could exercise the necessary political control.

The groundwork for post-war collectivization was consequently not laid in the countryside, where Communist influence in these early years was small and generally limited to the new State Farms, but in the cities, where the Parties slowly extended their control over the State apparatus. Once the levers of governmental power were secured, the Communists were able to exert relentless pressure on the farms.

The tactics of the East European Parties in this "offensive" phase were never military, except perhaps in Yugoslavia, where political conditions most closely paralleled those of the Soviet Union in the early Stalinist era. And even in Yugoslavia the chief weapon was slow economic strangulation of the peasantry, an erosive process designed to break the will to resist and in the end leave the class disunited, despairing, and helpless. The offensive tactics of the bureaucratically-minded Satellite Parties deserve more detailed exposition.

Economic Pressure

661 471 This was the most direct means by which the Satellite Parties sought to destroy the independent peasant. Everywhere in the sphere compulsory tax and crop delivery schedules were promulgated, discriminating heavily against the independent sector, and particularly against middle and rich peasants. Collecting revenue was never a primary end of the tax decrees, though funds forced from the countryside were often considerable. Confiscatory delivery quotas served the additional and important function of guaranteeing supplies of foodstuffs for the urban-industrial centers. The primary economic end – the eventual bankruptcy of the individual producer, who in the early post-war years was still thriving by selling on the free and black markets–is well illustrated by the 1953 delivery schedules for Czechoslovakia. On the best land in the country a peasant with five hectares had to deliver three times as much grain to the State *per hectare* as a peasant owning two hec-

tares. On the poorest land in the country a peasant with five hectares had to deliver almost twice as much per hectare as a peasant with two hectares.[13] In Romania, a peasant with four hectares of land was required to deliver three-and-a-half times as much produce per hectare as a peasant holding two hectares of land.[14] This pattern was followed throughout the area.

Prices paid for produce were invariably low and insofar as comparison is possible, lower than pre-war prices, as manifest in the huge discrepancies between free market prices and State prices. Moreover, the discrepancy between the prices paid to the peasantry and prices charged in retail shops for the same commodities far exceeded the cost of transportation and processing incurred by the State. In some cases a "coupon" system, ostensibly designed to compensate the peasant, was instituted. Under these terms, foodstuffs and industrial crops delivered to official collection centers were paid for by small sums in currency and coupons entitling the peasant to buy, at low controlled prices, in State shops. In practice, the system generally proved to be nothing more than a propaganda device. Since consumer goods were in short supply, and usually reserved for the urban market, the villages were frequently without such basic commodities as matches and kerosene.

Nevertheless, the confiscatory tax and delivery schedules were seldom fully enforced. It has, in fact, been demonstrated that literal enforcement was impossible, since in countless cases the State demands *exceeded* the individual peasant's capacity to produce. The quota levels and the severe legal punishments decreed for quota arrears were not, however, entirely unrealistic. The penalties prescribed for under-delivery were invoked only when it suited the regime purposes for a gradual extension of control over the agrarian economy. The effect of cumulative delivery failures was intended to reduce the independent peasant to the status of a tenant at sufferance, since he could be legally expropriated whenever the State chose.

The control the State exercised over industrial and financial sectors of East European economies was similarly an important weapon in the campaign against the peasant. As a result of heavy industrial emphasis, the agricultural sector was generally denied help from nationalized credit institutions. Insofar as credit was ex-

[13] Decree of the Ministry of Bulk Purchasing, January 30, 1953.
[14] *Scanteia*, (Bucharest). May 18, 1950.

471 661 tended to agriculture at all, the State and collective farms received a disproportionate share. In effect, this policy meant the gradual depreciation of the meager equipment still owned by the peasantry, and further impeded the free peasant's purchase of vitally needed fertilizers and improved seed. This policy, it should be stressed, was an integral part of the general Communist tendency of neglecting agriculture as a whole.[14]

ADMINISTRATIVE FORCE

661 It is impossible to determine exactly the degree to which Satellite collectivization drives depended upon application of administrative or police force. The testimony of escapees, the observations of outside observers, the frequent regime admonitions against administrative divergence from the "voluntary principle," and many statements by Communist leaders on the subject in 1953 New Course speeches, make it clear that the role of force was considerable.[15] At the same time the application of force in Eastern Europe did not approach in scale or intensity the frankly military offensive against the peasantry conducted in the Soviet Union in 1928-32.

Officially the Satellite regimes have always adhered to the "voluntary principle" of collectivization, invoking the principle whenever the regimes decided to decelerate collectivization. For example, when collectivization was halted in Bulgaria in mid-1950, the regime raised the "voluntary principle" to the level of a basic State doctrine.[16] Likewise, the halt in collectivization in Poland in mid-1951 was accompanied by a series of trials of low-echelon Communists alleged to have resorted to the use of violence against the peasantry.[17] In general, application of force—beatings, jailings, and occasional executions of "kulak terrorists"—was an important, but clearly secondary, collectivization method in the Satellites. Undoubtedly the intense scrutiny of international public opinion partly

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[14] See pp. 87-88 for a more extensive discussion of the investment schedules of the Satellite governments, and other issues relative to the balance between industry and agriculture.

[15] For example, Imre Nagy, speaking on July 4th, 1953, acknowledged that in collectivization "too much bullying was used," which "not only offended the peasants' sense of justice but also caused serious economic harm." (*Szabad Nep*, [Budapest], July 5, 1953.)

[16] An editorial in *Rabotnichesko Delo*, (Sofia), October 28th, 1950, stated, for example, that "The Communist Party has always stressed in the most categorical way that it is absolutely necessary to observe strictly the voluntary principle of entering collectives."

[17] See, for example, the reports on the trials held in Gryfice (*Trybuna Ludu*, [Warsaw], May 25th, 1951).

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CHAPTER IV

THE BALANCE SHEET OF COLLECTIVIZATION

1. *General Factors*

Earlier in this study[1] it was pointed out that the Stalinist "solution" to the agricultural problem in the Soviet Union, despite its cost in human suffering, satisfied the basic agricultural needs of an expanding heavy industrial machine and the State which rested upon it. The new land structure was no more efficient or productive than the one it had replaced; but it was better suited to guarantee urban food supplies and the rapid accumulation of capital which was the prerequisite for the heavy industrial development upon which the new Soviet State was based. That certain readjustments in that land structure are being called for today, more than a quarter of a century after its initial establishment, does not indicate that, in terms of its original goals, the program was a total failure.[2]

In Eastern Europe, however, the agricultural picture is far more complex. A conclusive assessment of the results of collectivization in terms of the Communists' own goals is therefore more difficult. The extensive agricultural readjustment begun in the middle of 1953 has frequently been interpreted as proof of its failure. However, since the New Course in Eastern Europe was promulgated simultaneously with a similar program in the USSR, its origins may lie as much in the political crisis caused by Stalin's death as in a mounting economic crisis. Indeed, the vast economic disproportions which the New Course was designed to reduce had

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[1] See above pp. 21-2.

[2] These readjustments were announced in September 1953, by the Soviet leader Khrushchev in the same address in which he acknowledged the dismal condition of Soviet agriculture, and in particular the livestock inadequacies (*Pravda*, [Moscow], September 15, 1953).

tion had hardly reached pre-war levels by 1951, and the demands 231
of the urban population were rapidly increasing, the possibilities of increased livestock production were small. Indeed, the fodder supply was below the level necessary for maintaining *existing* livestock population. Therefore (see Table 25), the number of cattle in Eastern Europe had not, by 1952, quite achieved the pre-war levels.

But livestock failure is not recorded merely in terms of quantity, but in quality as well. Czechoslovak Premier Siroky furnished an interesting comment on this point:

> In the sphere of animal husbandry we must proceed from the fact that of late the head of cattle has increased without a corresponding extension of the fodder base. Consequently, the head of cattle has grown to the detriment of the quality of the stock and its productivity. Without a serious extension of the fodder base it will be impossible to ensure improvement of the productivity of the stock which, from the point of view of supplying the people with high-grade meat and other high-grade products of animal husbandry, is a most urgent matter.[33]

One of the chief causes of livestock deterioration is the reliance of 231
East European regimes upon the increasingly impoverished non- 471
collectivized sector for most livestock produce. As Table 26 makes clear, in each country the livestock in the socialist sector is proportionately less than the amount of land "socialized." Moreover, the major portion of the stock in the collectivized sector is not collective property, but belongs to the peasant households. In Poland, for example, 71 per cent of the cattle, 75.5 per cent of the sheep, and 75.8 per cent of the hogs in the collectivized land belongs to private household plots.[34]

Thus while the "Socialist sector" concentrates upon marketing 241
grain and industrial crops, the private sector and the collectivized households emphasize livestock products. However, as the private sector has been deprived of credits and resources with which to purchase fodder and other necessities, the quality of the livestock has inevitably deteriorated. In spite of the introduction of new "zootechnical methods" on certain model farms, most livestock con-

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[33] *For a Lasting Peace*, September 18, 1953. Remarks of a very similar character cropped up in the August 22nd address of the Romanian Premier, Gheorghiu-Dej, and in the September 8th address of the Bulgarian Premier Chervenkov.

[34] *Ekonomista* (Warsaw), III, 1953, p. 48.

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But in the end these possessions stirred the envy not merely 794
of ambitious and worldly men but also of the land-hungry 471
poor. To be sure the Abbot of a flourishing monastery might 578
correctly point out that the revenues did not enrich the monks, who normally lived under his guidance by an austere religious rule. These religious in their bare cells did not taste the fine vintages pressed from monastery grapes carefully tended by brothers who rose at four for Matins and then expended themselves zealously for the cause of God. Nevertheless the critics were not by any means only emancipated spirits who found moral discipline irksome and the Church old-fashioned. They were also earnest, weather-beaten peasants, with no soil to till, and often desperately poor, who understandably looked upon Church estates with a covetous eye. And of course everywhere the well applauded and sharp-tongued ideologies of the time—Marxism, Nationalism, Nihilism—were allied against the Church, often looked upon by the seemingly more enlightened folk of those days as the heritor of a creed outworn. And it must be admitted that sometimes a segment of the clergy, grown comfortable and worldly, acted as if they thought so, too.

Protestantism inside the old Empire clung to the enclaves 795
which had been established during the era of the Reformation and the Counter-Reformation. Despite the strife incident to the [162]
Thirty Years' War both Lutheranism and Calvinism maintained themselves resolutely in Hungary, for example, so that prior to the outbreak of World War II Catholics in that country constituted about 67 per cent of the population, while Protestants numbered nearly 27 per cent and adhered to both the Lutheran and the Calvinist tradition. In Czechoslovakia the situation was relatively the same, though the number of Protestant groups was greater. A considerable part of the population —6 per cent in 1932—professed no religion of any kind. Another characteristic of the old Empire was the presence of the

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CHAPTER II

CHANGES IN PROPERTY RELATIONS IN INDUSTRY, TRANSPORT, BANKING INSURANCE AND TRADE

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THE CHANGES in land ownership dealt with above had a relatively simple result—the predominance of small peasant ownership. By contrast, the property relations in industry, transport, etc., are much more complicated. In order to understand the present situation, it is necessary briefly to survey the property relations before the war, the influence of the Nazi occupation, and the immediate effects of the Red Army's victory.

State Ownership before World War II

In Eastern Europe the bourgeoisie developed late and, in comparison with its Western competitors, was weak and poorly equipped with capital. Thus there arose two antagonistic, but complementary, phenomena. On the one hand foreign capital infiltrated into the region, and on the other hand, in an attempt to avoid relying too much on foreign capital which tended to undermine national independence, the state became the owner of certain means of production, and not, as in the West, mainly a watchman or regulator of the activities of private capitalists. And between and under the pressure of the two—powerful foreign and state capital—private "national" capital managed somehow to keep alive.

The part played by the state in industry was greater in Poland than in any other Eastern European country:

GOVERNMENT-OWNED ENTERPRISES IN PRE-WAR POLAND (1938) AND THEIR PARTICIPATION IN INDUSTRIES

Per Cent	
100	production of potassium salts, alcohol; tobacco; aircraft; automobiles; air transportation; post; telegraph; radio.
97	maritime transportation

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95	production of dyestuff
93-3	railroads
91	fire insurance
84	production of common salt
73	telephones
70	smelting
52	insurance other than fire
50	spas and health resorts
45-8	financial institutions
30 (approx.)	production of tool-making machinery*
32	quarries, export of lumber†
25	production of natural gas, coal and chemicals‡
10 to 20	production of plywood, cotton goods, electrical implements, lumber, processed oil
7·9	production of electric power

(S.L. Sharp, *Nationalisation of Key Industries in Eastern Europe*, Washington, 1946, pp. 4-5)

There were many mixed enterprises owned partly by the state and partly by local authorities, private companies and individuals.

The value of state enterprises in Poland in 1930-31 was about 12½ milliard zloty, or 22.5 per cent of all the industrial-commercial wealth of Poland, and in the most important undertakings (heavy industry, metal, chemicals, transport), its share was even bigger, as the table shows.

In Yugoslavia the state owned the railways and the telephone and telegraph system. Public utilities were owned by the city authorities. In the very important timber and lumber industry, the state played a considerable part, owning 37.8 per cent of the forest area. A further 27.9 per cent was in the hands of the local authorities. The state owned thirteen coal mines and two iron mines yielding about 25 per cent and 90 per cent respectively of the country's total output of coal and iron. Tobacco, salt and raw silk were all state monopolies. The production of iron and steel (through the Yugoslav Steel Company), and of armaments, was state controlled and the state had a very large share in the cellulose and sugar industries.

State ownership in the other Eastern European countries was far less extensive, nevertheless it cannot be ignored. For instance, in Czechoslovakia, practically the whole railway system was state owned. Trams, electricity, gas and water,

*Another source gives the percentage of state ownership of the metal industry, as a whole, as 50 per cent (F. Zweig, *op. cit.* p.109).

†Zweig gives the following figure for the state ownership of forests: three-eighths (Ibid).

‡According to Zweig the larger part of the chemical industry was state owned (Ibid).

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were owned by the local authorities. State capital was of major importance in the powerful Zivnostenska Bank and in the Skoda Works. In industry as a whole, the state owned at least a tenth of all capital invested.

Similar conditions obtained, to a greater or less extent, in the other countries.

Foreign Capital before World War II

Before the War in all the countries nearly all the key positions in industry, transport and banking were controlled by foreign capital. Thus Zweig writes: 471

'The share of foreign capital in the total capital funds owned by all joint-stock companies in Poland amounted to 33 per cent. The share in the total capital of all active joint-stock companies is given as 44.8 per cent in 1935 and 40.1 in 1937' but '. . . the controlling power of this capital covered a much wider range than 40.1 per cent of productive capacity'. (Ibid. p. 121). This was because foreign capital, being concentrated in certain key positions, could control a much larger volume of capital. Companies in which foreign capital predominated constituted 63.1 per cent of the capital of all joint-stock companies. The preponderance of foreign capital was particularly great in certain branches of industry—in mining and foundries foreign capital controlled 63.6 of all joint-stock industry; in petroleum extraction, 89.9 per cent; in the chemical industry, about 80 per cent; in the electro-technical industry, about 90 per cent; in electricity and water-supply, about 95 per cent; in the textile industry, about 40 per cent (ibid. pp. 121-2); in insurance, 85.1 per cent; communication and transport, 68.9 per cent (L. Wellisz, *Foreign Capital in Poland*, London, 1938, p. 145). Only in light industries (foodstuffs, paper, glass, ceramics, etc.) and trade was foreign capital of small importance.

The other countries of Eastern Europe were in a similar position. Boris Kidrič, Chairman of the Planning Commision, at the Fifth Congress of the Communist Party of Yugoslavia, said of his country that foreign capital 'participated in the mining industry of the old Yugoslavia and in the building materials industry with 77.9%, in the metallurgical industry with 90.9%, in the processing of metals with 55.8 %, in the

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471 ceramics and glass industry with 28.3%, in the timber industry with 51.4%, in the paper industry with 15.1%, in the chemical industry with 73.6%, in the food and agricultural industry with 27.1%, in the textile industry with 61.4%, in the leather and fur industry with 40.9%, in the electric power industry with 43.5%, in the remaining industries with 32.3%, giving an average of 49.51%'. (B. Kidrič, *On the Construction of Socialist Economy in the FPRY*, Belgrade, 1948, p. 31).

The publication of the Royal Institute of International Affairs, *Agrarian Problems from the Baltic to the Aegean* (London, 1944), states: 'Only from 15 to 20 per cent of the capital in Roumanian industry was in Roumanian hands' (p. 81).

'In 1936 paid-up foreign capital in Bulgarian companies amounted to . . . 42.6 per cent of the total paid-up capital of companies'. (Royal Institute of International Affairs, *South-Eastern Europe. A Political and Economical Survey*, London, 1939, p. 173). The share of foreign capital in large manufacturing industry was 48.03 per cent, in wholesale trade 38 per cent, in insurance 24 per cent, in banking 22 per cent, and in transport 63 per cent. (According to Dobri Terpeshev's Report to the Fifth Congress of the Bulgarian Communist Party, Sofia, 1948).

Similar conditions prevailed in Hungary.

Czechoslovakia was the only country in which foreign capital in banking and industry was of relatively small importance.

The Influence of the German Occupation on Property Relations

So great was the influence of the German occupation that, in the words of S. Perlman: 'European capitalism was finally killed by Nazism', which 'so churned up all existing property rights that their restoration even approximately . . . is unthinkable.' ('Some Reflections on Russia', in *Problems of the Post-War World*, Symposium, New York and London, 1945, p. 334). That these words are no exaggeration is proved by the following passage in Mr. Sharp's book:

'The extent of the upheaval in property relations caused by the Germans in the Eastern European countries may be seen from a few examples of the acquisitions made by German capital since the Munich Agreement and the establishment of the Protectorate of Bohemia-Moravia.

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'In addition to the outright confiscation of Jewish property and the acquisition of important Czechoslovak financial claims and capital assets in southeastern Europe, the Germans assumed control and ownership of the main financial and industrial establishments in Bohemia-Moravia. 471

'Czech banks were forced to merge, so that finally only four banks remained. German capital (Creditanstalt, Dresdner Bank and Deutsche Bank) owned roughly 18 billion of the total capital of 33.6 billion crowns (Koruny) invested in the banks. [463]

'Most of the industrial property and interests came under control of the Hermann Goering Werke (Vitkobice Works, Mining and Foundry Company, the Podbrezova foundry in Slovakia, the armament factories of Skoda and Brno, the steel mills and coal mines of the Poldihuette A.G.). I.G. Farben took over the chemical works of the former Aussiger Verein and the Bratislava plants of Dynamit Nobel.

'In the Sudetenland, which was incorporated into the Reich, a specially-created firm, Sudetenlaendischer Bergbau, controlled by the Hermann Goering Werke, took over the former property of the Czech state, of the Zivnostenska Banca and of the Petschek family interests.' (op. cit. pp. 6-7).

At the same time the Germans developed certain industries for war purposes, because Czechoslovakia was relatively immune from air attack. For instance, the aircraft industry which before the war employed about 5,000 workers, in 1944 employed more than 100,000. This increased the proportion of industry in Czechoslovakia controlled by Germans. [463]

Since even before Munich, 40 per cent of the industry of Czechoslovakia was owned by German citizens, it is clear that the proportion of German capital at the end of the war was not less than 60 per cent of industry and almost 100 per cent of financial institutions (banks, insurance, etc.).

Of Poland, Mr. Sharp writes: 'Polish banks in the incorporated areas were swallowed by the Ostbank A.G., a subsidiary of the Dresdner Bank. A special organization was set up to take over industrial property, either outright or in the form of compulsory administration by the Haupttreuhandstelle Ost. Coal mines were taken over by the Hermann Goering Werke in Silesia and by the Pruessische Bergwerks- und Huetten A.G. in the Dombrowa basin. The Schlesische [453]

2 [In early 1940's -- Analyst]

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• 471 A.G. fuer Bergbau and Huettenbetriebe concentrated in its hands the zinc industry (with the exception of some interests left with the Giesche works). By April 1942 not less than 230,000 Polish industrial and commercial enterprises of all sizes were reported Germanized in the annexed part of Poland (this includes very small businesses and presumably also Jewish-owned undertakings).

'In the General Government, a state-managed organization, the Werke des Generalgouvernment, took over the largest industrial plants. Two artificial silk factories came under the control of Vereinigte Glanzstoff Fabriken of Wuppertal. Oil was exploited by Karpathen-Oel A.G. and electric power plants by Ost-Energie A.G.' (Ibid. pp. 7-8).

By taking possession of French, Belgian and Austrian capital (which in 1937 amounted to 56.9 per cent of all foreign capital), as well as Jewish-owned enterprises (constituting about 10 per cent of all industrial-commercial wealth) and the enterprises owned by the state before the war, the Germans gained control of more than half of all industrial and banking capital and nearly all industry, transport and banks of real importance.

Of Yugoslavia Mr. Sharp writes: 'Yugoslavia was dismembered after the German attack in 1941 and public and private property grabbed by the successor states in the detached provinces. In puppet Serbia the Germans controlled the state-owned railways and mines. Through possession of French interests they acquired the Bor copper mines. German capital infiltration in Serbia was estimated at about 45 million dollars and in Croatia at approximately 35 million'. (Ibid. p.9)

German capital also invaded the economy of the German allies, Hungary and Rumania. 'In Hungary, for instance, German investments were estimated in February, 1944, officially at about 692 million dollars and unofficially at more than twice the amount'. (Ibid. p. 8). Thus about a third of all Hungarian industry was controlled by German capital: six very large metal enterprises, nine mines, three transport companies, three food industries, ten textile enterprises, and thirteen miscellaneous industries. (N. Clarion, *Le Glacis Soviétique*, Paris, 1948, p. 89). German capital was especially active in the expansion of the aluminium and oil industries,

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which were practically new industries for Hungary. The extent to which German capital gained control of the Hungarian economy is revealed by the fact that while German capital was estimated at more than a milliard dollars, the total national wealth of Hungary, excluding land and buildings, was estimated in 1943 at 4-4 milliard dollars. 471

'In Rumania the Hermann Goering Werke came into possession of large shares in a number of industrial enterprises through the seizure of the Czech-owned stock. Similarly in banking and mining the Germans "bought" French and Belgian interests and some Dutch oil interests. One sixth of the capital invested in Rumanian banks and industries was German-owned or controlled, according to an estimate early in 1944. In the oil industry German interests rose from less than 0.5 per cent before the war to 38 per cent (1942). Jewish property was "Rumanized".' (Sharp, op. cit. pp. 8-9).

Before the war more than half the foreign capital invested in Rumania was invested in her oil industry, and foreign capital as a whole made up nearly 85 per cent of the capital of all Rumanian industry. Therefore German capital in the oil industry alone made up in 1942 nearly a fifth of all the capital in Rumanian industry, or a quarter of the foreign capital. Moreover, it controlled a few other, not unimportant, enterprises, such as the Malaxa metal enterprise and the mines of Resitza and Copsa Mica-Cugir companies, as well as another two hundred new medium-sized enterprises. (Clarion, op. cit. pp. 90-91).

Two countries practically escaped any large-scale infiltration of German capital during the war—Bulgaria and Finland, the former because it lacked the heavy industry needed for the German war effort, the latter because the foreign capital invested in it was not French or Belgian but English and American, and it was impossible for the Germans to buy British and American shares during the war.

The Effect of the Military Victory of Russia: Russian-Owned Enterprises

The military defeat of Germany left a very great part of industry, transport and banks of the East European countries ownerless. The larger part of German property in Czecho-

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● 471 slovakia, Poland and Yugoslavia passed into the hands of the national states, while in the countries which were formerly allies of Germany as well as in the Soviet Zone of Germany and Austria it was mostly taken over by the Russian government. Even Czechoslovakia and Poland did not escape having to contribute German booty to Russia. Yugoslavia was the only exception, because the Russian army never occupied the whole of the country, but merely a small part of it and for a few months only. Of the industries formerly owned by Germans and now claimed by Russia, some were dismantled and the rest left intact under Russian control.

The question of dismantling will be dealt with later. Here it is proposed to deal only with the ownership by Russia of certain industrial, transport and banking interests.

Rumania

Since during the war German capital had controlled 38 per cent of all investments in Rumanian oil (as well as a number of industries and banks), Russia was able to obtain almost complete control over a third of the Rumanian oil industry. She also became the owner of much of the metal industry and the banks. For various reasons, Russia found it preferable to build up in Rumania (and Hungary) enterprises in which she owned half, while the other half was in the hands of Rumanian (or Hungarian) private capitalists or the state (the latter from the nationalisation laws of 1948). This enables the Russian state to control a much greater sector of industry than if she had relied on companies with 100 per cent Russian capital. Thus in May, 1945, Russia and Rumania came to an agreement about the establishment of mixed companies in certain branches of industry, first of all the petroleum industry. Sovrompetrol was established which owns the lion's share of the oil fields and refineries of Rumania. The far-reaching law of nationalization passed on 11 June, 1948, did not apply to the mixed companies. In the significant words of *The World Today* (January, 1949) the monthly journal of the Royal Institute of International Affairs:

'. . . the only capitalist in Rumanian industry is Communist Russia. Only the Russian Government has the right to own private shares, and only the company in which Soviet Russia

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has private shares is allowed to make profits and distribute them to the shareholders. Sovrompetrol has now the best fields and concessions and the right to export in free currency areas. It is also officially subsidized by the Rumanian Government in the event of loss. Thus it can be seen that Sovrompetrol has the best of the bargain. The second sector belongs in principle to the Rumanian State. Its task will be to prospect for, and explore, new fields as well as to exploit the exhausted wells left by the expropriated companies. Its personnel is untrained. Its trade will be limited to the adverse one with Soviet Russia and the other satellites. Therefore, while both sectors are working for the benefit of Soviet Russia, it is not difficult to guess which has the best chance of successful working, which is doomed to failure'.

Although oil is the main industry of Rumania, and Russia directed her main attention to it, she did not overlook other industries. Because of the close fusion of industrial and banking capital in Rumania, the Sovrom Banco was established, as the best means of controlling industry—besides oil—as a whole. Fifty per cent of the shares of the bank are held directly by Russia, and fifty per cent by Rumanian companies. But since Russia, as the heir of the German owners, had part ownership of a number of the latter companies, she has, even formally, the majority of the shares.

In addition there were established Sovrom companies for shipping, air communications, timber, coal, steel, chemicals, gas, building materials, glass, and a few other industries. In all these enterprises the share of Russia has been paid solely by surrendering the claim to German assets in each industry.

Hungary

Under the Potsdam Agreement Russia was entitled to take over all German-owned property in Hungary, officially estimated in February, 1944, at 692 million dollars, and unofficially at double this sum, out of an estimated total wealth in 1943 of 4.4 milliard dollars. Russia exercised her rights partly by dismantlement and partly by taking control of industries which continued to operate in Hungary. By an economic agreement between Hungary and Russia in September, 1945, mixed Russian-Hungarian companies were to be established

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471 in fourteen branches of industry and transport: oil, bauxite-aluminium, coal, chemicals, the large metal industries Weiss-Manfred, Ganz and Rimamurany, electricity, railways, Danubian shipping, air transport. While their importance in the economy was great, it was considerably less than that of their counterparts in Rumania.

As a political weapon for the subjugation of Hungary to Russia, the mixed companies are of first-rate importance.

Bulgaria

471 651 In Bulgaria there are Soviet companies and mixed companies in certain mines and transport undertakings. When the U.S.S.R. took over the assets of the German companies, they did not take over their liabilities, the biggest of which were their debts to the state. Thus while a large part of the assets which were transferred to Russia of the German companies came from open robbery of the Bulgarian people in the past, the liabilities were borne by the Bulgarian taxpayer. This was revealed in the Kostov Trial (December, 1949) during which Prof. Stefanov, former Minister of Finance, was accused of opposition to this state of affairs. He was accused further of wishing to impose the same taxes on the Soviet enterprises as the Bulgarian enterprises had to pay. The Prosecutor took it for granted that Russian enterprises in Bulgaria should enjoy special privileges in taxation.

Yugoslavia

471 In Yugoslavia there were two mixed Soviet-Yugoslav transport companies, 'Juspad' and 'Justa', formed on February 4, 1947, with the alleged intention of 'contributing to the recovery and development of productive possibilities of Yugoslavia'. They were liquidated after the rupture with Moscow. After this some light was thrown on the working of the companies. Joze Vilfan, Yugoslav delegate to the United Nations Economic and Social Council, referred to the two mixed companies in a speech before the Council. The participation of the two Governments in the companies was to have been equal, but in practice the companies did not do what they were intended to do. Thus, for example, although by May, 1948, the U.S.S.R. had paid up only 9.83 per cent of its participation

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in Juspad while Yugoslavia had paid up 76.25 per cent, only 40 per cent of the services of both companies went to Yugoslavia, the remainder going to other countries. Whereas Juspad charged Yugoslav industry 0.40 dinars per kilometre-ton, the U.S.S.R. was charged only 0.19 dinars, and other countries 0.28 dinars. With the liquidation of both companies, Yugoslavia took over all the liabilities, though the U.S.S.R. drew its share of the capital, as far as it was paid up, in full. (*Tanjug*, 11 October, 1949).

No Rent Paid for Natural Resources

This is an important aspect of the exploitation exercised by the Russian Government through the mixed companies. The prices of certain commodities whose production is dependent on natural resources which exist only in limited quantities and which are the property of individuals (or states)—such as grain, cotton, timber, coal, oil—always include not only wages for the workers, and profit for the owners of the capital, but also rent for the owners of the natural resources. When the Russian state takes from Sovrompetrol, for instance, half of what remains after the cost of production (wages, depreciation of machinery, etc.) is covered, it actually gets not only half the profit, properly so-called, but also half the rent of the oilfields. Thus it becomes part-owner of the natural wealth of Rumania. The enormous rent accruing from oilfields is well known. One example will be sufficient to show this. In 1946 the U.S.S.R. concluded an agreement with Iran to build a mixed Iran-Soviet oil company. It was agreed that the share that Iran would contribute to the company would be that of providing the oil-bearing soil, and for this alone she would get 49 per cent of all the shares of the company, i.e., 49 per cent of the profit and rent. In the case of the Sovrompetrol Company, Rumania had to supply half the capital and in addition to give the oil-bearing soil gratis. It would not be difficult to calculate what portion of the shares Rumania would have received had she had the same conditions as were granted Iran. She would have had 49 per cent of the profit as rent for the oilfields and half of the rest—i.e., 25½ per cent—for ownership of half the capital, making altogether 74½ per cent. Instead she gets 50 per cent. And the portion the U.S.S.R.

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● 471 would have received would have been 25½ per cent instead of 50 per cent. This would have been the case if the mixed companies were established on the principle of legal equality usually prevailing between capitalist partners. The extra profit the U.S.S.R. gets from the Sovrompetrol Co. and from a number of other mixed companies is the result of political pressure.

Nationalisation in the Russian Satellite States

The appropriation of industries, transport and banks by the Russian state has been described. Now it is necessary to deal with the transfer of industries to the 'national' states, states which are, at least formally, distinguished from the Russian state. This transfer is usually described as 'nationalisation', although the term is far from appropriate as it assumes that the state enjoys national independence and that it is identified with the nation, or the majority of it. But if these reservations are borne in mind, there is no danger in using this rather loose term.

As the national states of the satellites are subordinated to the Russian state, one would expect to find that the progress of the nationalisation of industry is subordinated to the needs of Russian infiltration into the national economies. And so in fact it is. In all Eastern Europe only three countries, Poland, Czechoslovakia and Yugoslavia, were allies of Russia during the war. Because of this, Russia could not exact any reparations from them or claim control over German assets in them. They were therefore encouraged to nationalise their industries, and as early as 1945 the majority of their industries were nationalised. (In two of these countries—Czechoslovakia and Poland—the nationalisation was accompanied by a wide-scale and chauvinistic expropriation of the 'Teutons' by the 'Slavs'.)

In the four countries which had been allied to Germany—Rumania, Hungary, Bulgaria, Finland—the course of events was different. There was no nationalisation in Finland, which was never occupied, nor was there much propaganda by the Communist Party for it. In Rumania and Hungary, Russia's interests in exacting reparations as well as in building up mixed companies (together with a number of socio-political factors which will be dealt with later) led to the postponement of nationalisation on a large scale until 1948, more than three

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years after the beginning of the Russian occupation. The fear that the revolutionary enthusiasm of the Bulgarian masses (which, except in Yugoslavia, was unparalleled in this region after the war) would lead to too much independence of Russia, and the Russian bureaucracy's confidence that nationalisation could be carried out whenever they wished, caused them to postpone it until the revolutionary wave had ebbed at the end of 1947.

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The timing of nationalisation in Rumania, Hungary and Bulgaria was determined by another very important factor— the Marshall Plan. The urge to trade with Western Europe, as expressed in the *unanimous* decision of the Czechoslovak government on 4 July, 1947, to take part in the Marshall Conference (a decision revoked when Gottwald and Masaryk visited Moscow on 10th July) made it necessary for Russia to strengthen her control over the economy of Eastern Europe, and this could be done only through state ownership of industries in all these countries. Hence the nationalisations in Bulgaria, Rumania and Hungary.

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Poland

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It is impossible to understand the process of nationalisation in Poland without taking into account two factors, namely, in the area of pre-war Poland, the existence of many industries previously controlled by German capital now remaining ownerless, and, what is even more important, the changes in Polish industry brought about by the annexation of the German area east of the Oder-Neisse and the expulsion of the German population from it. This area will be referred to as the Western territories of Poland, and the area of pre-war Poland as Old Poland.

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The importance of the industry of the Western territories compared with the industry of Old Poland is shown by the following table:

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ACTUAL PRODUCTION IN 1937 (IN THOUSAND TONS)

	Pre-War Poland	*Western Territories*
Coal	36,218.0	29,793.0
Coke	2,328.0	3,229.0
Briquettes ..	17.4	568.6
Brown coal ..	18.4	7,594.0
Zinc and lead ..	200.0	782.1
Iron ore	791.6	73.1

(*The World Today*, March, 1947)

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471 The production of pig-iron in the Western territories was about 50 per cent of the production of Old Poland, and of steel 70 per cent. An important chemical industry, with a wide range of products, came to Poland through the annexation of the Western Territories. The sugar refining capacity of the Western Territories was the same as that of Old Poland. In fact, 'The total capacity of this industrial belt (i.e., of the Western Territories—Y.G.) is equal to that of the whole of pre-war Poland'. (*The World Today*, May, 1948).

471 [463] Out of the two million people employed in 1937 in all the mines, industry and handicrafts of Poland, the majority, 1,177,858 people, worked in small-scale industry and handicrafts (employing fewer than 15 workers), while large and medium-sized industry (which includes all enterprises with more than 15 people) employed only 830,000 people. By contrast, the industries of the Western territories employed before the war over 1,000,000 workers, the great majority of them in large enterprises, hundreds of which employed more than a thousand workers each.

It is therefore clear that when, after the expulsion of the German population (the great majority of them workers and their families), the industry of the Western territories was declared state property, an important—if not the major—part of the industry of new Poland was by that act removed from private ownership. If this had been the only nationalisation undertaken, state ownership in industry proper, i.e., excluding handicrafts and industries employing less than fifteen people, would already have far outstripped private ownership. This was not immediately clear because a certain time-lag was inevitable before enough Polish workers could be found to man the industries of the Western territories. Thus, for some time after the war the nationalised industry of the Western Territories played a less important role in the total industry of the new Poland than would have been expected.

Of the territory of Old Poland Clarion writes: 'When we take into account the fact that large and medium industry in Old Poland mean medium and small industry in the West, the nationalisation measures left outside state property 45 per cent of the total number of industries, or at the very least 60

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per cent of the total number of workers employed in industry'. 47/ (op. cit. p. 94).*

Clarion would seem to exaggerate the part played by private industry in Old Poland. Even there at least half of all the workers in mining, industry and transport, are working in state enterprises, and so the *overwhelming majority* of all the industry of present-day Poland is state-owned.

Boleslaw Bierut, the President of the Polish Republic, emphasized in a speech on New Year's Eve, 1946, that the expropriation of the Germans was a key factor in making the Polish state the owner of the majority of the industry. He said: '. . . the war completely overturned the system of our pre-war production relations . . . ' 'After the expulsion of the occupant a huge majority of the industrial plants, even the smallest, had to be classified as abandoned property, taken over by the state, and reopened through the efforts of the state, territorial self-government, co-operatives and new private firms. After investing public money in the plants, the state feels compelled to regulate their judicial form and title of ownership. The only way out of the situation, especially in the case of large enterprises, is nationalisation'. Thus nationalisation is 'a legal act sanctioning already existing facts and procedures. It is an adaptation of the law to realities'. This was the situation in 1945 and the nationalisation law of 3 January, 1946, gave it legal sanction. First, all German property, both in the Western territories and in Old Poland, in industry, mines, transport, banking, insurance and trade was declared the property of the Polish state. Further, a number of other enterprises belonging to Polish citizens was taken over by the state: all firms with more than 50 workers were affected. The situation was summed up by Roman Zambrowski, Secretary of the Central Committee of the Polish Workers' Party (Communist Party) in a speech he made on July 12th, 1948, when he stated that 85 per cent of the total industrial output is produced by state and co-operatively owned enterprises (the latter not more than 5 per cent), the same proportion in communication and finance, and 100 per cent in banking. Only small-scale industry and

*Probably the ground for Clarion's estimate was the declaration of the Polish Minister of Industry, Hilary Minc, on January 2nd, 1946, that after the nationalisation bill, only 40 per cent of all industrial workers would be employed by the state, while 60 per cent would continue to work for private employers.

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471 handicrafts were in the hands of private owners. (*Glos Ludu*, 13th July, 1948).

Czechoslovakia

As a result of the defeat of the German army and the expulsion of the Sudeten Germans, the major part of industry, transport and banking was left without an owner. As President Beneš wrote in an article in the *Manchester Guardian* of 15th December, 1945: '. . . the Germans simply took control of all main industries, and of all banks . . . If they did not nationalise them directly, they at least put them in the hands of big German concerns . . . In this way they automatically prepared the economic and financial capital in our country for nationalisation . . . To return this property and the banks into the hands of Czech individuals or to consildidate them without considerable State assistance and without new financial guarantees was simply impossible. The State had to step in . . .'

Three decrees of October 24th, 1945, made all banks, insurance companies, joint stock companies, key industries and large-scale enterprises the property of the state. All the enterprises in the key industries (mines, iron and steel, electricity, etc.), whatever their size, were nationalised. In other industries, all the enterprises employing a certain number of workers, or with certain technical capacities, were nationalised.

The ownership of industry on November 1, 1946, in terms of percentage of total employment, was as follows:

	Czech Lands				Slovakia
	State owned (including communes)	*State administered*	*Co-operatives*	*Private*	*Nationalised industries*
Industries producing means of production	79.2	10.3	0.2	10.3	83.1
Industries producing means of consumption	44.2	14.3	1.0	39.5	52.9
Food processing industries	31.9	10.8	20.7	36.6	28.6
Industries not directly affected by nationalisation	11.9	13.2	2.0	72.9	18.9
Total industry ..	61.6	11.6	2.4	24.4	57.7

Between 24th October, 1945, and February, 1948, no new nationalisation laws were passed, so that it can be assumed that throughout this period not more than a quarter of industry

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(reckoned by the number employed) was privately owned. 471 ●
Since private enterprises were small compared with state enterprises (on the average every industrial enterprise owned by the state employed eight times as many people as the private enterprises), their economic importance in the total industry of the country was even less.

After the establishment of the new government in February, 1948, further nationalisation took place, and the proportion of private industry decreased from about 25 per cent to 7 per cent of all industry, according to the number employed.

Thus the really large-scale state acquisitions took place in 1945 and were directed almost entirely against ownerless enterprises, i.e., formerly German-owned enterprises.

The 1945 nationalisation hardly touched the Czechoslovak bourgeoisie and did not affect the Czechoslovak owners of middle and small industry at all. After it the Communist leaders declared that no more nationalisation measures would be taken. Thus on March 27th, 1947, 'In an interview the Prime Minister of Czechoslovakia, Klement Gottwald, declared that from the programme of the present Government it is clear that it considers *the statification* in the field of production closed' (*Neue Zürcher Zeitung*, 29th March, 1947). A few weeks later, at a general meeting of the Central Trade Union Council, Antonin Zapotocky, the President, said: 'We agree that medium-sized, and even some big enterprises should remain in private hands, and we see no reason why we should change these views'.

But in February, 1948, Gottwald and Zapotocky 'forgot' all this, and for the first time the Czechoslovak bourgeoisie, including the owners of middle and small industry, was seriously affected by nationalisation. This second nationalisation was a relatively small operation after the big one of 1945.

Yugoslavia

No nationalisation law was published in Yugoslavia, until 5th December, 1946, when the two Houses of the National Assembly adopted a bill for the nationalisation of private enterprises which applied to 42 branches of industry, transport and banking, and wholesale trade. But it would be wrong to conclude that until then these sectors of the economy were in

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471 private hands. In practice, nationalisation was carried out without legal sanction and under cover of a law passed on 24th November, 1944, for the expropriation of the property of the national enemy and his collaborators. On 19th January, 1946, *The Economist* estimated that the proportion of state and co-operative industry in Yugoslavia was 70-80 per cent, and the Moscow journal *New Times* of 15th March, 1946, wrote: 'The Government is in possession of 82 per cent of all industry, while private establishments account for only 18%'.

474 655 443 After this survey of the ownership of industry in Poland, Czechoslovakia and Yugoslovia, a brief examination is necessary of the control of trade. In all three countries private property lingers on to a large extent in one sphere besides agriculture, that of retail trade. In his speech mentioned above, Roman Zambrowski pointed out that in Poland the state and the co-operatives handle only 25-30 per cent of retail trade (in wholesale trade private ownership is negligible, the state taking 59 per cent of the turnover, the co-operatives 36.6 per cent, a total of 95.6 per cent). A similar situation exists in Czechoslovakia. Of the situation in Yugoslavia, B. Kidrić, said: 'Whereas in 1945, 85% of trade was still carried on through private shops, 12% through co-operatives and only 3% through state shops, in 1946 state shops already participated in trade with 19.2%, cooperative with 32% and the private shops dropped to 48.8%' (B. Kidrić, op. cit. p. 29).

'. . . on March 31st, 1948, private shops still participated with only 1.78%, the state shops with 39.91% and the co-operative with 58.31%'. (Ibid. p. 31).

In May, 1948, a new law nationalised all the remaining private trade in Yugoslavia.

In these three countries, the proportion of the economy in private hands was no greater than in Soviet Russia during the N.E.P.*

Hungary and Rumania

In Hungary and Rumania, Russia's demand for reparations and her schemes for the building of mixed companies which

*According to the Comintern weekly, *International Press Correspondence*, of 26th November, 1927, the percentage of private industry in the total industrial production of Russia in 1925/6 was 18.7 per cent. The proportion of wholesale trade in private hands was 9.4 per cent of the turnover and of retail trade 38.8 per cent (In 1927/8 the figures were respectively 1.5 and 27.0).

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would give her direct control of certain key positions in their economies, resulted in the postponement of any nationalisation until requisitions, dismantling, etc., had been terminated, the reparations payments were nearly completed, and the mixed companies were already established. Then, in the first half of 1948, nationalisation was carried out on a large scale.

For the Russian government nationalisation is only a *means* to the end of the extraction of surplus value and the accumulation of capital, and the purpose of nationalisation is fundamentally no different from that of the mixed companies, whose function is openly that of the extraction of 'reparations'. This is illustrated by the following incident.

After the big defeat of the Hungarian Communist Party in the general elections (November, 1945) when it polled only 17 per cent of the votes, the Hungarian bourgeoisie felt self-confident, and the government, headed by the Smallholders' Party, tried to delay agreement to the Mixed Companies. Suddenly, the Communist Party began an intensive campaign for the nationalisation of industry on a large scale. The General Secretary of the Party, and Vice-Premier, Mátyas Rákosi, in a speech over Radio Budapest, on 4th March, 1946, demanded the nationalisation of exactly the *same* industries in which Russia demanded the establishment of Mixed Companies. To the demand for nationalisation was added a demand for the removal of reactionary elements from the Smallholders' Party. As a result the Hungarian Government gave way, the Mixed Companies were established, and the Communist Party forgot about the nationalisation (for the time being).

Nationalisation was introduced piecemeal into Hungary. The coal mines were nationalised in January, 1946, the power stations a little later in the year. Five big heavy industrial firms were brought under state control as a temporary measure, 'until the end of reparations', in November, 1946. In September, 1947, all the banks were nationalised. Even so, until the nationalisation law of March 25th, 1948, a quarter of heavy industry and four-fifths of the rest of industry remained private property. According to this law, all industrial enterprises employing more than 100 persons became state property. The state now owned 78 per cent of industry, according to the

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● 471 number employed. On December 28th, 1949, the Government decided to take over all enterprises employing more than ten workers and all those owned by foreign capital. Of course the nationalisation laws did not affect the property of the Mixed Companies.

The way the nationalisation was carried out in Hungary illustrates the tactical methods of the Hungarian Communist Party leaders and their view that the active participation of the workers in the nationalisation is unnecessary. Easter Monday, 1948, was declared a holiday, and when the workers were not in the factories, state officials came down and took them over. The next day the workers arrived to find a new master. (*Continental News Service*, April 16th, 1948).

In Rumania the first step towards the nationalisation of industry was the creation in the summer of 1947 of a number of industrial boards which grouped together the factories of different branches, controlled the allocation of raw materials and framed the production plans of the various factories. This prepared the ground for the first nationalisation law for industry of 11th June, 1948. On that date, without prior warning, the government introduced a bill in parliament which became law after only three hours discussion, providing for the nationalisation of the overwhelming majority of industries. A few months earlier at the Congress of the Rumanian Workers' Party (Communists) on February 21-23, 1948, which had to decide on the policy of Rumania for the immediate future, no mention was made of early nationalisation on a large scale. All oil companies, including those in which foreign capital was invested (except the Sovrompetrol Company) were nationalised, as well as all metallurgical factories employing more than 100 workers, textile factories using more than 100 horse power, timber plants using more than 20 horse power, all the shipping companies (except the Sovrom Shipping Company) and railroads, radio and telephone companies, and all the banks (except the Sovrombank).

Bulgaria

The Bulgarian State owned only 6 per cent of the total industry of the country until December 23rd, 1947, when, at one stroke, practically all industry was nationalised. 93 per

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cent of industry was taken over by the state (2 per cent owned by cooperatives and 5 per cent was in private hands), 100 per cent of the banks and insurance companies and 100 per cent of foreign trade. (*For a Lasting Peace, For a People's Democracy!* the Cominform organ, 15th December, 1948). Cyril Lazarov in *Rabotnichesko Delo* of October 31st, 1948, estimates the state share of wholesale trade at 64 per cent and of retail trade at 22.3 per cent.

Austria and Finland, although they are outside the region under review, throw valuable light on the motives determining the attitude of the Communist Parties to nationalisation.

In Austria Russia is the main impediment to nationalisation, while the Austrian bourgeoisie and the Western Powers appear as its enthusiastic supporters.

The Austrian parliament hoped, by a large-scale nationalisation of industry, to stop the dismantling of factories and the taking over of industries by Russia. In July, 1946, therefore, a bill was passed, which was based on the election programme of the three parties of the Coalition Government (including the Communist Party) and provided for the nationalisation of 71 major enterprises. The Soviet High Command protested against the law on the grounds that it would affect Russian reparation rights, and the Soviet vote prevented the law from coming into effect. Thereupon the Communist Party changed its policy to opposition to nationalisation.

In Finland, the Popular Democratic Party (Communist Party) was in a better tactical position, as the Russian Control Commission informed the Finnish Government at an early stage that 'nationalisation is contrary to Soviet interests', and the Popular Democratic Party was therefore warned in time to oppose nationalisation.

The difference between the nationalisation policies in the various countries shows how this policy has in every case been determined by the interests of the rulers of Russia. It is clear, therefore, that for Russia nationalisation is only a device for the transfer of industry into the hands of the state, which means the appropriation of the industry by the owners of that state —the Russian ruling class.

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CHAPTER VI

SOCIO-ECONOMIC RELATIONS IN THE SATELLITES

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State Ownership and Public Ownership

Article 6 of the Soviet Constitution states: 'The land, its deposits, waters, forests, mills, factories, mines, railways, water and air transport, means of communication, large state-organized farm enterprises (state farms, machine-tractor stations, etc.) and also the basic housing facilities in cities and industrial localities are state property, that is, the wealth of the whole people'.

The Constitutions of the People's Democracies all contain similar clauses with one difference, that the land is not, or rather, *not yet* included in the state-owned properties.

Part of the article quoted is self-evident—that the land, factories, railways, etc. are state-owned. Part of the clause, however, is not self-evident although it is proclaimed as if it were—'state property, that is, the wealth of the whole people'. The words 'that is' signify that state ownership can be nothing other than people's ownership. But this does not stand the test of logic or of history. From the standpoint of logic, the middle term is missing. The factories, railways, etc., are state owned; the people (or the workers and peasants and intellectuals) own the state; therefore the people own the factories, railways, etc.

From the standpoint of history, the article stands the test no better. There are numerous examples in the history of the East of economic systems with deep class differentiations, based not on private property but on state property. Such systems existed in Pharaonic Egypt, Moslem Egypt, Iraq, Persia and India. That the state owned the land was, it seems, mainly due to the fact that agriculture depended entirely on the irrigation system, which in turn was dependent on the activity of the state. The example of Arab feudalism under the Mamelukes (1250-1517) is sufficiently instructive to warrant the apparent digression.

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only conclusion possible would be that the Bureaucracy is the owner of the wealth of these countries, that as well as being the ruling class politically, it is the ruling class economically.

The Abolition of all Elements of Democracy in the Factory

The relations between the state-bureaucracy and the people in the economy as a whole permeate each sector of it down to the individual enterprise. The macrocosm and the microcosms are governed by the same rules.

In Russia from 1917 to 1928 the running of the industries was, formally at least, in the hands of what was called the Troika (that is, trio)—the workers' factory committee, the Party cell and the manager. With the disappearance of all democracy in the Party and trade unions, the Troika gradually lost its functions till it became a mere label. Nevertheless it did not cease to stand officially at the head of the plant, nominally running it, and even to show signs of life by acting as something of a brake on the high-handedness of the plant manager, until 1929. Thus Dr. A. Baykov, in *The Development of the Soviet Economic System* (London, 1946), states:

'*De facto*, during that period (before the Five Year Plan—Y.G.) the director was largely dependent on the works' trade union organ, the "Zavkom" (the factory trade union committee) and on the Party cell, the organ of the Communist Party at the enterprise. Representatives of these organizations considered it their duty to supervise the director's activities, and usually interfered with his decisions'. (p. 115).

But even the remnants of workers' democracy in the plants disappeared with the Five Year Plans, which were called . . . 'The Victory of Socialism'. A resolution of the Central Committee of the Party decided that the workers' committee of the factory 'may not intervene directly in the running of the plant or endeavour in any way to replace plant management. They shall by all means help to secure one-man control, increased production, plant development, and, thereby, improvement of the material conditions of the working class'. (*Pravda*, 7th September, 1929).

The manager is in full and sole charge of the plant. All his economic orders are unconditionally binding on all the workers. He alone shall select, promote and remove personnel

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'taking into consideration' 'the opinion of the Party and the trade union organizations', but he is not bound by them. (Quoted by A. Feiler and J. Marschak, editors, *Management in Russian Industry and Agriculture*, New York, 1944, p. 36).

The Troika was officially buried in 1937. At the Plenum of the Central Committee, Stalin's second-in-command at that time, Zhdanov, declared: ' . . . the Troika is something quite impermissible . . . The Troika is a sort of administrative board, but our economic administration is constructed along totally different lines'. (*Pravda*, 11th March, 1937, Ibid. p. 44).

The new management of industry was very clearly defined by an official manual thus: 'Each plant has a leader endowed with full power of decision, hence fully responsible for everything: the plant manager' (Economic Institute of the Academy of Sciences, *Economics of Socialist Industry*, Moscow, 1940, p. 579, ibid. pp. 12-13). Further, 'one-man control implies strict demarcation between the administration, on the one hand, and Party and trade-union organisations on the other. This strict demarcation must be applied on all levels of industrial management. Current operations in fulfilment of Plan are the task of the administration. The chief of a workshop, the manager of the plant, the head of the Glavk, have full powers, each within his field, and the Party and trade-union organisations may not interfere with their orders'. (*Economics of Socialist Industry*, p. 563, Ibid. p. 19).

In the 'People's Democracies' the workers' committees never acquired the authority they had in Russia, and the Troika never existed at all. The tendency against *any* element of workers' democracy in the factory was more pronounced and its progress much quicker than in the 'vanguard' country.

In all the countries of Eastern Europe the overthrow of Hitler inspired many workers to strive to participate in the management of industry, and in many places they achieved their aim of having the plant management democratically elected by the employees. Thus, for instance, *The Economist* of February 9th, 1946, writes of Czechoslovakia: 'The Employees' Committees tried, in the first fine careless rapture of revolutionary enthusiasm, to dictate how the factories should be managed . . . '

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This could not be tolerated by the Communist Party leaders in the government and trade unions. The following process took place:

'. . . the Workers Councils were . . . in control of management for some months, indeed almost until the end of 1945.' 'The situation was transformed by the Government's Nationalisation Decree of 24th October, (1945), which provided for the appointment of National Managers of the public enterprises'. 'So at one step the management of the industries was taken out of the hands of the Works Councils, nor did they retain any semblance of control over the Manager. This was a radical change and brought with it the undisguised hostility of a number of Works Councils'. (*Czechoslovakia. Six Studies in Reconstruction*, The Fabian Society, London, 1947, p. 49).

To reduce still further any remaining efficacy of the Works Committees, every element of democracy in them was abolished. At the general meeting of the Central Trade Union Council of Czechoslovakia at the beginning of April, 1947, the General Secretary complained that in the first round of the elections 32 per cent of the official candidates (no other candidates were allowed) were voted down in the Czech lands and 26 per cent in Slovakia. The Social Democratic Party now came forward openly with a proposal that more than one list be allowed in the Works Council elections, and that each party be free to put forward its own list of candidates. Antonin Zapotocky, the Communist Chairman of the Trade Unions (today the Prime Minister of Czechoslovakia) decided on another tactic as a result of the elections. He proposed to prolong the term of office of the Works Councils from one to two years.

Having established one list of candidates for Works Council elections, the Communist Party not only increased the use of terror in the elections, but also employed various devices for falsifying their results. The Social Democratic daily *Pravo Lidu* of 9th January, 1948, carried across the front page the Party protest against the Communist Party's methods in the factories: 'It is impossible to be silent. Fanatics are breaking up the unity of labour unions. New wave of political oppression in factories'. Of the recent Works Council elections the paper said: 'As developments in the elections are reported to us,

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especially in the large industrial concerns, it is evident that all the questionable practices were used, which were calculated to upset the democratic form of election and to force on the voters a selection (of candidates-Y.G.) that is not free. The meetings are usually called after working hours when the majority of workers are leaving or have left. 471 466

'Furthermore, the methods of voting are controlled, which is practically equivalent to direct intimidation'. (Quoted by *The New York Times*, 10th January, 1948).

After the February coup the mouths of the Socialists were closed. The secret ballot too was abolished at that time, and elections to Works Committees were carried out by acclamation, candidates in many cases being trade union officials. Small wonder that at the May 1949 session of the Central Council of the Czechoslovak Trade Unions, Josef Kolský, Deputy General Secretary, could say that in recent Works Council elections 97.3 per cent of the official lists of candidates were accepted (the official *Czechoslovak News Letter*, 19th May, 1949).

After these steps were taken, nothing more stood in the way of complete one-man management in the plant. In place of the workers' management that had arisen in the first months after the liberation of Czechosovakia from the German occupation, came the Production Board (set up by the Decree of October 24th, 1945), only a third of whose members were elected by the workers. After the 'Democractic Victory of February', the Minister of Industry, A. Kliment, announced a new plan: 'We are abandoning the system of collective management and we are going to abolish the Production Boards, instead of which we are going to introduce the system of personal responsibility of the works director, the technicians, the foremen and the workers'. This harks right back to unadulterated capitalism.

In Hungary the 'iron' Minister Ernö Gerö declared in his report to the Central Committee of the Party (June, 1950): 'A factory . . . can only have one manager who in his own person is responsible for everything that happens in the factory.' In all the other satellites too one-man management is the rule.

Democracy having duly been stamped out, the governments could without further ado follow this up by imposing on the

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477 workers all the known methods of exploitation, old and new. 466 First of these was the introduction on an unprecedented scale of piece work in place of time work.

Piece Work

Marx once said that piece work is 'the most suitable to capitalist methods of production.' The leaders of the 'People's Democracies', however, teach otherwise. Thus *Scanteia*, the Rumanian Communist Party daily, of January 13th, 1949, says: 'Piece-work is a revolutionary (!) system that eliminates inertia and makes the labourer hustle. Under the capitalist system loafing and laziness are fostered. But now everyone has a chance to work harder and earn more' (Quoted by R. H. Markham in *Christian Science Monitor*, 31st January, 1949). 'Socialism', then, is superior to capitalism in that it uses the piece-work system!

The volume of work done at piece-work rates is continually increasing all the time.

In Czechoslovakia in February, 1946, 30.2 per cent of the total number of working hours came under the piece-work system, in January, 1947, 41.7 per cent, in June, 1947, 48 per cent, and the Two-Year Plan (1947-8) provided for the extension of piece-work so as to include 70 per cent of all working hours in industry. The aim is not 100 per cent only because in certain processes it is not possible to implement it. That this emphasis on piece-work was not welcomed by the workers is clear from the following attack made on 18 January, 1949, by the Minister of Justice, Alexej Čepička, on workers who show 'false solidarity' and a striving for 'equalisation of incomes' by opposing the piece-work system. 'Equalisation in wages hampers higher productivity. The piece-work system must be extended so as to give every worker an incentive. It is now used in only 58 per cent of our factories. To extend it to all is our task'. This was not all, for the workers were going slow to keep the norm low: 'Our workers have got to quit stalling and fight against equalitarianism in pay'. (*Christian Science Monitor*, 31st January, 1949).

The piece-workers par excellence, the Stakhanovites, are not loved by the workers. In his report to the 9th Congress of the Party (May, 1949), the General Secretary, Rudolf Slansky,

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revealed that out of 900,000 members of the Party's factory organisation only 65,000 were listed as Stakhanovites. Their unpopularity becomes manifest from a perusal of *Rude Pravo*, the Communist Party daily, which finds it necessary constantly to repeat that Stakhanovites should be placed in more responsible positions and that they should be protected against attacks made on them by 'politically immature' workers. 'There are officials and directors who, being snugly ensconced in their jobs or afraid for their popularity among politically undeveloped elements, fail to defend Stakhanovites as they ought to'. In letters from Stakhanovites published in the press, a frequent complaint is the hostile attitude of the workers towards them. When a reporter of *Lidové Noviny* went to interview Marie Zemancová, a young Stakhanovite in the Prague radio factory 'Tesla' who had been included in the Czech delegation to the Paris 'Peace Congress' as a reward for her work, it turned out that she was completely unknown in her factory. 'This proves', comments the paper, 'that we have been unable to popularise our Stakhanovites and pioneer workers'. (Quoted by *News from Czechoslovakia*, No. 6, April, 1949, published by the Czechoslovak Social Democratic Party in Exile, London). In view of these facts, it is no wonder that at the 9th Congress of the Communist Party open war was declared on people 'who run down the work of Stakhanovites and who even try to put a spoke in their wheel'.

In Poland the piece-work system reached a stage at which the basic wage almost entirely disappeared. As Clarion describes it: 'It should be emphasized incidentally, that with regard to salaries the whole system rests upon the maintenance of basic salaries at an abnormally low level and upon a huge inequality in the bonuses both of money and in kind. The periodical *Études et Conjoncture* in this regard pointed out, in a study of the economic situation in Poland, published in November, 1946, that 'on the average for the whole of industry in May, 1946, the total benefits granted (to the workers) in Poland represented from 6.8 to 14.6 times the basic salary, which thus became a mere supplementary item instead of being the main element of the total remuneration'. (op. cit. pp. 106-7).

The hatred felt by the Polish workers for these extreme forms of piece-work was displayed openly in the spring of 1946 and

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in September, 1947, when tens of thousands of workers went on strike in Lodz, the biggest industrial city in Poland, in spite of the police terror, the mass arrests, the beatings, etc.

In Hungary, when the workers did not show sufficient enthusiasm for the piece-work system, they were accused by Rákosi of being 'lazy' (*N.Y. Herald Tribune*, Nov. 30th, 1948, reporting a speech delivered on November 27th); the factory directors were 'capitulating' to the lazy workers; the production quotas were too low. 'We cannot eat up the future of the nation', he declared. That Rákosi's speech was not effective enough can be seen from the continual harping on the theme of piece-work and its norms by the Hungarian leaders. Thus in the above-mentioned report to the Central Committee of June, 1950, Minister Ernö Gerö said: 'The enemy succeeded in opening a new front against the 'People's Democracy; that of wage and norm swindling'. 'That wage and norm swindling has spread among the masses can be attributed to a great degree to the underground work of right-wing social-democratic elements and to thei rallies, the clerical reactionaries ...' It appears that Party members are also in league with 'right-wing social-democratic elements' who 'swindle' the norms: 'That such an unsavoury situation in the field of norms could arise is partly because in many cases the economic leaders of the factories, party functionaries and trade union members are among those who slacken the norms.' '... in more than one case they go as far as to protect and support the wage swindlers'. This vituperation was followed by a considerable increase in the basic norm.

It is interesting to note that Stalinism is not the only system having extreme recourse to piece-work, Nazi Germany had too. Franz Neumann in his book *Behemoth* (London, 1942) writes: 'The class wage of the Socialist trade unions has been replaced by the "performance wage" (Leistungslohn) defined in Section 29 of the (Nazi-Y.G.) Charter of Labour. "It has been the iron principle of the National Socialist leadership", said Hitler at the Party Congress of Honour, "not to permit any rise in the hourly wage rates but to raise income solely by an increase in performance". The rule of the wage policy is a marked preference for piece-work and bonuses, even for juvenile workers. Such a policy is completely demoralizing,

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for it appeals to the most egoistic instincts and sharply increases industrial accidents'. (pp. 352-3).

Neumann explains why the Nazis went to such extremes in using the piece-work system (no more, however, than are resorted to in the Stakhanovite system): 'The preponderance of the performance wage brings the problem of wage differentials into the forefront of social policy. It is essential that this problem be understood not as an economic question but as the *crucial political problem of mass control* (my emphasis—Y.G.) . . . Wage differentiation is the very essence of National Socialist wage policy . . . the wage policy is consciously aimed at mass manipulation'. (p. 353).

The piece-work system 'is completely demoralising', 'it appeals to the most egoistic instincts,' it is a most important means of 'mass control', of 'mass manipulation', of atomization of the working class, of the creation of elite above elite even within the oppressed class. That is why the Nazis were so keen on its extension, and there is no other explanation of the enthusiasm of the Stalinist rulers for it.*

The Increasing Limitation of the Workers' Legal Freedom

In Russia, until the First Five-Year Plan every worker could freely change his place of work and could migrate unhindered from one part of the country to another.

On the right to change the place of work at that time, the Labour Code (1922) stated:

'The transfer of a hired person from one enterprise to another or his shipment from one locality to another, even when the enterprise or institution moves, can take place only with the

*As an indication of the purpose for which piece-work was so widely introduced, it is interesting to note that it was introduced even before the nationalisation of industry. It would be good, the Communist Party leaders thought, to discipline the workers in advance, in 'the interests of the nation'. In Rumania and Bulgaria, at the beginning of 1945, before the nationalisation decrees, production competitions were introduced, and 'labour heroes' were honoured with medals and money grants conferred by the heads of the governments. The 1st of May, 1946, was celebrated in Hungary as a production competition in the private industries. In these measures the Communist Party leaders got the whole-hearted support of the bourgeoisie. Then, after harassing them in this way, they used the same workers as their support in their onslaught on the bourgeoisie, which resulted in its expropriation. This shows the united attitude of the bourgeoisie and the Communist Party bureaucracy towards the exploitation of the masses (piece-work) and the united attitude of the bureaucracy and the working class towards private property (see Part II of the book).

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466 present, it will not reach the Russian dimensions. It is, as Adam Smith clearly showed, very unproductive, being suitable mainly for manual labour which does not require modern industrial equipment, such as lumber work, road and rail construction, large-scale industrial construction, irrigation works, or canals. The more abundant the machinery and the supply of cultured and skilled workers, the less profitable the use of slave labour. Hence in all probability Czechoslovakia will have less slave labour than Bulgaria or Rumania, and the 'People's Democracies' as a whole less than Russia.

It is very difficult, if not impossible, to distinguish between voluntary and forced labour in a totalitarian regime. If it is not obvious in itself, the following declaration of Tito (to the Joint Congress of the Union of Communist Youth and the People's Youth, December, 1948) will make it plain: 'There are, of course, also such students who are not very keen on voluntary work, or who refuse to take part in voluntary work activities . . . Such was the case of a small number of students whom we had to expel from Belgrade University and other universities . . .'

The Distribution of the Social Product

● 471 Many Communists admit that the bureaucracy in Russia and the satellites have complete control of the state machine and thus of the running of the economy. But they claim that they act entirely in the interests of the people.

To assume that a group of people who are in absolute control of the means of production will not take as much as they can out of the national product for themselves, is tantamount to explaining man's economic conduct by his intentions—a strange method of argument for those who claim to hold the materialist conception of history. The more so when from the same lips we hear that in America and elsewhere, under capitalism based on private property, mere crumbs from the table of the bourgeoisie are a sufficient inducement to bribe and currupt the 'aristocracy of labour'—the trade union bureaucracy, and so forth—and alienate them from the working class. Stalin and his associates have all the food on the table within their reach, and their reach alone, but apparently they are incorruptible, and will remain forever loyal to the working

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people. This double vision sees the molehill as a mountain, and the mountain as a molehill!

All the experience of history in this connection points to the inescapable conclusion that if a group of people are in absolute control and ownership of the means of production they will inevitably take for themselves all the benefits they possibly can out of production.

The division of the national income among different income groups is kept strictly secret in the 'People's Democracies', although if the British Government did not publish such statistics the Communist Party would certainly, and justifiably, criticize it for keeping the truth from the people. Nevertheless from fragments of news in the press it is possible to get some idea of the great differentiation of incomes.

The official *Free Bulgaria* of 15th March, 1947, states that in Bulgaria the ratio between minimum and maximum salaries in Government employment is 1:5. 'New Yugoslavia, which had adopted a ratio of 1:3.2, is gradually introducing a greater differentiation. France has a ratio of 1:6, the United States—1:10, U.S.S.R.—1:11'. The U.S.S.R. leads all the rest, and is praised for it by the Bulgarian Communists!

Departmental chiefs in Bulgaria got 17,000 leva a year, counsellor-reporters 19,500, counsellor-specialists 21,000 and general secretaries 25,000. This was increased in many cases by a 'supplementary salary' of 13,200-22,800 a year, which raised their salaries to 30,000-47,000 leva a year. As against this the average worker's wage was 357.7 leva a month or 4,292.4 leva a year (*Free Bulgaria*, October 1st, 1947) and many unskilled workers earned 150-200 leva a month, or 1,800-2,400 leva a year (*Free Bulgaria*, April 1st, 1948), i.e., twenty times less than the *parvenu* rulers. There is, of course, no record of the value of the benefits the high bureaucrats get not in money but in kind, such as houses, cars and servants.

In Rumania the minimum salary of a civil servant is Lei 3,328 a month, the maximum Lei 42,600 (*Rumanian News*, 6th February, 1949). Many workers earn as little as Lei 2,000-2,500 a month.

Some information about income differentiation in Poland can be gained indirectly from the table giving the rate of income tax payable by people falling within the different

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728 642 669 for the maintenance of private property. Immediately after its establishment, the Communist leader, Anton Yugov, the Minister of the Interior, declared: 'This government, of which I am a member and on whose behalf I speak, categorically denies that it has any intention of establishing a Communist regime in Bulgaria. There is no truth in rumours that the government intends to nationalise any private enterprise in the country.' (*The New York Times*, 22nd September, 1944).

642 ● 471 A few months later, at the national congress of the Fatherland Front in March, 1945, another Communist leader declared: 'We are building a democractic country based on private property and private initiative. Consequently the Government by its very nature is reformist.' He severely attacked those members of the Communist Party who opposed the Fatherland Front Government and wanted 'to establish a completely Communist government.' An article in the official paper of the Fatherland Front, *Otechestven Front* (9th March, 1945) described the programme of the Front in these words: 'It is the programme of the Bulgarian workers, peasants, craftsmen and women, honest, intellectual, patriotic individuals, industrialists, merchants and patriotic soldiers.' In a congress of the industrialists of Bulgaria on September 27th, 1945, a Communist Minister, Dobri Terpeshev, said on behalf of the Supreme Economic Council: 'Private initiative will not be handicapped but supported. The Communists intend to revive it because our economy needs your initiative . . . Let us all work without being led on by thought of gain alone.' A year later the Communist Prime Minister, Georgi Dimitrov, declared: 'The immediate task is neither the realisation of Socialism nor the introduction of the Soviet system but the consolidation of a truly democratic and Parliamentarian system.'

642 661 From September, 1944, to October, 1946, the Fatherland Front Government was headed by General Kimon Georgiev who not only played a leading part in the military, semi-fascist *coup d'etat* of Tsankov in 1923, as a result of which tens of thousands of workers and peasants were massacred, but was also the author of the military coup of 1934 which led to the immediate dismissal of Parliament, the terrible persecution of Communists, Agrarians and others, and, for the first time in

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642 Groza[1] repeatedly stated that his government was against
● 471 any socialisation and stood for the defence of private property. For instance, in an interview with the correspondent of *The New York Times* on 26th September, 1945, 'Premier Groza said his Government did not intend to apply either collectivization of land or nationalisation of banks or industries and that the mere question showed an ignorance of its program. Claiming to represent all social strata, he said, the program was to "concentrate all the forces of the nation for the reconstruction of the country and to consolidate a democratic regime" and "in the Government's program there is no nationalization of banks or industries and no collectivization of land"' (*The New York Times*, 30th September, 1945).

Radio Bucharest reported that in a description of his recent talks with Stalin, Premier Groza had said that it was Stalin who had advised him to 'keep the system of private enterprise and private property.'

Nearly three years after the advance of the Russian army into Rumania, Groza still openly opposed the nationalisation of any property belonging to either Rumanian or foreign capitalists, even though the nationalisation of foreign property is part of the program not only of socialists but even of many nationalist movements in countries in which a great deal of foreign capital is invested, such as Mexico, Argentine, India, etc. In a statement to the Bucharest paper *Timpul* he said: '. . . the Government and the Parliament will make every effort possible in order to realize a fruitful field of collaboration for foreign capital . . . (There will be—Y.G.) conditions intended to secure to this foreign capital a guarantee of investment and a just rentability.' (*International News*, Bucharest, 8th January, 1947).

642 Even capitalists who collaborated wholeheartedly with
661 Germany were left untouched for more than three years, and the Communist Minister of Justice, Lucrețiu Pătrășcanu went so far as to point out that Nazi collaborators were far more leniently dealt with in Rumania than, for instance, in France. *The New York Times* correspondent reported on 17th March, 1945: 'Industrialists, business men and bankers will escape punishment as war criminals, under a law being drawn up by Lucrețiu Pătrășcanu, Minister of Justice, and Communist

[1] [Premier of Rumania since March, 1945 -- Analyst]

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642 1947). A few weeks later the Communist leaders compelled
642 Michael to abdicate (30th December).
665

Hungary

642 The policy of the Communist Party in Hungary in the first
728 stage of Russian intervention was similar to their policy in
● 471 Rumania and it is therefore unnecessary to describe it in detail.[1] The following quotation from the report of Nagy Imre, a member of the Political Bureau of the Party, to its congress in September, 1946, is typical of many declarations: 'While the war was still being fought, we have determined, and this is one of the basic principles, that in Hungary this is not the time for transition from capitalism to socialism, for struggle between the two social systems, but for uprooting the powerful remants of feudalism. It is not a question then of struggle between the two social systems but of the struggle between democracy and reaction within capitalism.'

The connection between this policy and Russia's interest in gaining control of the Hungarian economy (through mixed companies) and in extorting reparations from her, has already been described.[2] Here it is only necessary to repeat that for three years the Communist Party leaders continued to harp upon the same theme, that they were against abandoning the capitalist structure of the country.

[1] [See category 116, pp. 136-141 -- Analyst]
[2] [See category 116, pp. 60-62 -- Analyst]

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668 185 important questions of social life and State organisation will be settled by the people themselves through representatives who will be properly elected by the people after the end of the war.'

These aims were constantly reiterated by the Partisan press and radio during the remaining three years of the war.

To illustrate the conservative character of the Partisans' social programme, it is only necessary to quote the oath taken by the new Croat volunteers: 'I swear by God Almighty and by all I hold dear that on my word of honour I shall always be true to the traditions of my ancestors. I will always fulfil trust towards the Croat people and will defend with my blood my national home from the German, Italian and Hungarian oppressors, and the traitors of my people. So help me God'. (Radio Free Yugoslavia, 13th June, 1943).

To reinforce this appeal to tradition a confessor or chaplain (vjerski referent) was attached to all the large military units.

668 This policy met with opposition from some members of the Communist Party of Yugoslavia. An uprising in July, 1941, in Montenegro raised the banner of 'Soviet Montenegro', and in Herzegovina, deviations from the Party line by the Party organisation called forth harsh criticism from Aleksandar Ranković, one of the foremost leaders of the Party and today Minister of the Interior. (*Proleter*, December, 1942). In spite of some leftist deviations, however, the Bihać programme was consistently implemented until the liberation of all Yugoslavia.

668 ● 471 Until the end of 1944, no social changes or changes in property ownership were introduced. On 14th February, 1945, Vice-Premier Kardelj insisted in a broadcast that in her economic structure Yugoslavia had not abandoned and would not abandon the general framework of capitalism.

The Bihać programme could be adhered to with comparative ease because the areas in the hands of the Partisans were those to which social conservatism was most acceptable. Both the most industrialised parts of Yugoslavia, Slovenia and Northern Croatia, came into the Partisans' hands only at the end of 1944 or beginning of 1945. The area in which there was a considerable number of rich peasants and German settlers, whose land would have been suitable for redistribution among the poorer peasantry, was also in the North. Thus until the end of 1944 or beginning of 1945 there were not many capitalists

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or rich peasants under their control and therefore no obvious targets for social discontent.

After that the industrial bourgeoisie was expropriated, without a formal renunciation of the Bihać programme, by the legal confiscation of the property of traitors. It was not until 5th December, 1946, that a nationalisation law was passed and this simply registered what was already an accomplished fact.

Because the Partisans operated far from the industrial centres, they consisted almost entirely of peasants. Although the workers of Yugoslavia supported the Communist Party almost to a man, they played a very small part in the movement. In the words of Bogdan Raditsa, a former press service director of the Tito government: ' . . . the working class was far from being a vital factor in the resistance, as the Communists allege in their propaganda. For the workers remained in the big-city factories or were sent into Hitler's labor camps'. (*New Republic*, September 16th, 1946). The peasant character of the Partisan movement explains its original plebeian and democratic character. It also explains why the Communist Party of Yugoslavia could easily impose its conservative programme upon it during 1941-44 and why the Partisan Army was easily transformed into a stratified army, a development common to many peasant guerillas, for instance, the Spanish guerillas fighting Napoleon.

In the beginning there was real democracy in the army. There were no ranks and no medals and after each operation meetings were held at which each partisan had the opportunity of making a public criticism of any aspect of the operation. For two years during the first four Offensives which put the Partisans to their severest test, this procedure was followed. But on May Day, 1943, the ranks of officers and N.C.O.'s were introduced, and in the next four months about 5,000 officers and 11 generals were created; Tito was raised to the rank of Marshal in November, 1943. In the state administration, the principle of electing People's Committees was rigorously adhered to in the countryside until the Partisans advanced from the mountainous and backward areas to the large towns, when they were no longer elected but *appointed*. When, as sometimes happened, elections were held, they were only a formality, as there was only one list of candidates. The

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The generals, colonels and other officers of the 1/1 army became the backbone of the new state administration and monopolised all political power. It was this new bureaucratic caste which carried out the nationalisation of industry, transferring all the industrial wealth of the country into its own hands.

Thus the Partisan movement passed from being a plebeian democracy with a progressive policy on the national question and a conservative social programme, to bureaucratic state capitalism.

1/1 [Partisan army of Yugoslavia -- Analyst]

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CHAPTER V

LIQUIDATION OF THE PEASANT PARTIES

★

A VERY SEVERE and prolonged struggle took place between the Communist Parties and the Peasant Parties. The latter were neither as black as the Communist leaders painted them, nor as white as the majority of the western capitalist press tried to represent them. The peasant parties were of very diverse character and each of them was far from being homogeneous. Progressive and reactionary, democratic and totalitarian elements were mingled in the same parties. To follow the Communist Party policy towards them it is necessary first to understand the complex character of the peasant parties.

Since the economic, cultural and political leadership of a country rests with the towns, and since the peasants of Eastern Europe were dispersed in small, isolated villages, the leadership of the peasant parties mainly came from the towns. The urban population was divided into conflicting social and political groups, and so the question always arose of which class the peasantry would make its ally—the urban bourgeoisie or the workers' parties. The peasantry is divided amongst itself, the rich peasants naturally looking to one camp, and the poor, semi-proletarian majority, to the other. A whole series of socio-political problems is bound up with this. So long as the big estates were not divided up, the peasantry as a whole remained united in the fight for land reform. and their party had a more or less revolutionary character. But with the carrying out of large-scale land reforms after World War I in Rumania, Yugoslavia and Bulgaria (see pages 13-8), there was very little to hold the peasantry together and no common political platform. Another factor must be taken into account. For centuries, the peasants in many countries, as for instance in France at the time of the Great Revolution, wanted to get rid of

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their feudal overlords, take possession of their lands and thus gain the freedom to produce for themselves and sell their products in the towns. Such a programme would have been quite inadequate for the East European countries in the period between the two wars, because of the catastrophic fall in agricultural prices as a result of the world crisis and of the great agricultural over-population. The solution of the problems of the peasantry today is not in land distribution alone, but also in industrialisation which will absorb the surplus agricultural population and open up wide markets for agricultural products. There is a contradiction, at least temporarily, between these two factors and different layers of the peasantry have different attitudes towards industrialisation as well as towards the policy of keeping agricultural prices high (by tariffs).

The poor peasants who need to work at least partly for wages and do not produce enough food even for their own needs, have an interest in industrialisation and low prices for agricultural goods, while the rich peasants who want cheap labour do not care about industrialisation and support any policy which results in a rise in the cost of food. Large scale industrialisation is impossible under present conditions in Eastern Europe without State planning, so that the poor peasant naturally tends to support the socialist forces of the towns while the rich peasant looks in quite a different direction for leadership. After the land reform and in face of widespread unemployment, open and hidden, the rich peasants could not propose any positive programme to rally the mass of the peasantry to their side. Another factor contributed to the bankruptcy of the Peasant Parties of Eastern Europe. While on the whole they favoured democracy, the market for the agricultural products of Eastern Europe in the thirties was mainly fascist Germany. Hence the attitude of many of the leaders of the peasant parties to the pro-German policy of their governments was ambiguous, to say the least. To add to the contradictions in which many of the peasant parties found themselves, was the national question which the conservatism and narrow outlook of the peasantry, especially of its rich and well-satisfied section, precluded them from tackling. In Yugoslavia, Rumania and Czechoslovakia this factor was of the utmost importance in leading the official peasant parties into a blind

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665 alley. If any of the peasant parties succeeded at all in escaping
565 control by the wealthy townsmen or by the rich peasants,
● 471 capitulation to their semi-fascist government, entanglement in a hopeless and reactionary fight against other nations, as the peasant parties of Poland and Bulgaria did to a large extent, and the terrorism of the government rendered them powerless. Unlike the workers' parties, the peasant parties were loose organisations of widely scattered individuals with the control of the organisation concentrated in a few hands (in the towns) and so they were an easy target for the police.

665 Some facts about the peasant parties in East Europe before the end of World War II will illustrate these generalisations.

The Rumanian National Peasant Party came into being in 1926 by the fusion of the chauvinist, anti-Hungarian National Party of Transylvania led by Maniu, and the Peasant Party of the Old Kingdom of Rumania led by Ion Mihalache. The Party was led entirely by lawyers, journalists, etc.,and a small group of rich peasants. For years it was sharply opposed to the dictatorial King, and there were frequent and bloody clashes with the fascist organisations and the police. But a party under the leadership of rich peasants and their urban allies in a country where eighty per cent of the population was poverty-stricken could never consistently pursue a democratic policy. During his short periods of office between the two world wars, Maniu ruthlessly suppressed the strikes of the miners and railway workers in 1929 and 1933. Although he had been for years one of the leaders of the democratic opposition to King Carol and his agents, yet at a time when there were armed conflicts between the peasant members of his own party and the Iron Guard fascists, Maniu suddenly in 1937 declared an election pact with the Iron Guard, simply as a tactical manoeuvre against his old opponent Tătărescu and after the assassination of the Iron Guard leader, Codreanu, by the King, Maniu offered a refuge in his party to the Iron Guardists. The Peasant Party behaved with extreme brutality towards the Hungarian minority in Transylvania. During the 1930's when democracy in Rumania was reduced to a sham and when the dictatorship became increasingly open and brutal and millions were looking to Maniu for a call to rebel, he went no further than to writing some articles of protest in the press.

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The religious law in Rumania, enacted on 5th August, 1948, is similar to the Bulgarian law. 659

While the Orthodox Church is regimented as the *national Church*, as an agency of the state, the churches whose religious allegiance is not to Moscow, but to the West, inevitably become pariahs. Regimentation and persecution appear side by side.

The Communists' Attitude to the non-Orthodox Churches

The most glaring example of persecution is undoubtedly the treatment meted out to the Protestant priests by the Bulgarian Government. It is not necessary to enter into the details of the accusation made against the Protestant priests at their trial in Sofia in February, 1949, to be convinced that the whole trial was a political move by the State in its campaign to regiment religion. The Protestant Churches in Bulgaria had not the tarnished record of the Orthodox Church, which supported the monarchy in its alliance with Germany in the first and second world wars, blessed the militarists who carried out the *coups d'etat* of 1923 and 1934 and slaughtered tens of thousands of workers and peasants, abetted the semi-fascist dictatorships, and so on. The Protestant community is so small and uninfluential, constituting little more than 0,2 per cent of the whole population (15,744 out of 7,022,000) that it is inconceivable that it could cause serious harm to the people. Yet the Bulgarian Government put fourteen Protestant priests on trial and punished them severely, while it left the Orthodox Church hierarchy untouched.

The Catholic Church in Eastern Europe differs from both the Orthodox Church and the weak Protestant Church in Bulgaria. When Tsar Peter the Great was considering whether to ally the Russian Church with Rome, one factor finally decided him against doing so. This was, as one writer put it, that 'The Pope was a patriarch who would be unamenable to the Tsar and could not be deposed'. (R. P. Casey, op. cit. p. 13). Today this consideration is no less important in determining Stalin's attitude to the Vatican.

For a number of reasons the country in which the conflict between Moscow and Rome broke out in its most dramatic form was Hungary. The Achilles heel of the Catholic Church, 659 471

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659 which appeared to be so strong, lay in the fact that it was a
471 big landowner connected by many ties with the big landlords. This seriously weakened it at a time when the peasants were in revolt against this medieval heritage. In such circumstances the use of religious sanctions to defend secular vested interests is sure to recoil on the Church hierarchy. History has provided ample evidence of this from the time of the Great French Revolution to that of the Spanish Civil War. In the fight against parasitic feudalism during the French Revolution, the resistance of the Church was no stronger than that of the lay nobility. Where the peasants did rally around the priests against revolutionary France, as in the Vendée, it was not because their religious feeling was outraged by the revolutionaries, but because of their attachment to their feudal masters. Where the peasants fought the nobility they also fought openly against the priests. This does not mean that the peasants were not religious. The belief that God watches over man and that there is another life after death, had much deeper roots than attachment to the priests and to the Church which was a big feudal landowning institution. This explains why the same peasants who fought so consistently against the priests between 1789 and 1794 were quite happy to accept the restoration of the Church in 1795 and the Concordat with the Vatican in 1801. When the Kremlin decided to destroy the strongholds of the Catholic Church in Eastern Europe, commonsense, if not a study of the French Revolution, showed them that the priests would be least powerful where they were most completely identified with big land ownership. This was particularly the case in Hungary. When Cardinal Mindszenty, the head of the Hungarian Catholic hierarchy, preached against the land reform and the peasants nevertheless went forward unhesitatingly to take the land which they had worked for centuries without getting all its yield, it was clear that he had lost not only this single battle but the whole war. Cardinal Mindszenty's opposition to the abolition of all titles of nobility, his insistence on being called 'Prince', went against the grain of the poor, downtrodden and suffering peasants. He could not save the day by his appeals to 'democracy' against 'communist tyranny', and so forth, for such words rang false when uttered by a man who for more than two

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decades had supported the White Terror and Horthy's dictatorship, who had preached the extermination of Communists and Socialists, had fulminated as a Magyar nationalist against the Slovaks, Rumanians and other Danubian nations who acquired territory from Hungary after 1918, and had welcomed the extermination of millions of Jews by the Nazis. When the Hungarian Parliament in June, 1948, passed a bill nationalising all Church-sponsored schools, Cardinal Mindszenty, in excommunicating all the Catholic deputies who supported the bill, certainly did not stand on democratic ground. The educational systems in the United States and Britain go much farther in secularisation than this bill, which still maintained compulsory religious instruction in schools to be given by monks and nuns.

In Poland and Czechoslovakia, where the Church was not a large landowner or an ally of the feudal opposition to land reform,* the Communist Parties were much more cautious.

In Poland, where the main church is the Roman Catholic Church, the Communist leaders were forced to find a *modus vivendi* with it. In a completely opportunistic manner they pandered to the wishes of the Church to an extent which would horrify bourgeois liberals, particularly the French Radicals, to say nothing of atheists.

Polish Facts and Figures, issued by the Polish Embassy in London, reports (December 11th, 1948): 'In contrast to most countries where land reform starts with the division of church lands, Polish land reform left the large church estates amounting to 841,300 acres untouched. In addition to leaving the church's lands untouched, the government also returned lands and goods taken away from the church by the Germans.'

'Religious instruction by priests is provided in each school as part of the school curriculum (government directive of December, 1926). The only children who may be exempted from religious instruction in schools are those whose parents

*This does not mean that the heads of the Catholic Church, especially Poland, were progressive. We need but mention one of them, the late Primate Cardinal Hlond. He found the time after the Kielce pogrom of 4th July, 1946, in which 41 Jews were killed, to accuse the Jews of backing the present regime and implied that the absurd medieval tales of Jewish ritual murder of Christian children—which had played their part in the pogrom—may not have been without foundation. This was but one incident in the career of this politician-clergyman, an enthusiastic supporter of the rule of the 'Colonels'.

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178 iron as well as consumer goods and benefited by the large
433 market that the empire provided. Significant industrial development also took place in Hungary and in other parts of the empire. Similarly, in Russian Poland important industries were developed, but these suffered from the discriminatory policy of the Russian government and from the lack of communications.

457 Capital for the economic development of this region came
• 471 chiefly from France until the 1890's, when German and Austrian capital became increasingly active. In Eastern Europe in general, and particularly in the Balkans, loans had as much a political as an economic incentive. Since the credit of Serbia, Bulgaria, and Rumania was poor, the bondholders were able to insist on a variety of controls to assure payment. Although a substantial amount of this capital was used to finance armament and eventually wars, investments of permanent value were also made. Notable among these was the railroad from Vienna to Constantinople, completed in 1888, which with its branches formed the backbone of the transportation system of Southeastern Europe.

III

186 Collective security and economic interdependence, as
631 these terms are understood today, were certainly among the motives of the various plans for regional organization proposed for Eastern Europe in the century before the First World War. Yet the nineteenth century was for Europe an age in which war was the exception rather than the rule and national frontiers were not the barriers to trade and to the movements of peoples that they have since become. Although motives of power politics in the modern sense were always present, regionalism in this era was also concerned

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829 government under the control of parliament and of the free electorate. They hoped for a regime which would guarantee all the classical civil rights and which would preserve the independence of the courts. To achieve this, these liberals, regardless of political party, fought against authoritarian tendencies and dictatorial regimes.

829 ●471 Liberals in Eastern Europe, unlike those in the West, were not ardent supporters of the type of economic liberalism that is based on competition in a free market and admits only the least degree of state control. These liberals had in common with the supporters of the capitalist system a belief in the economic and social advantages of the principle of private ownership, but only a few among them had a clear-cut conception of the free enterprise system with its economic and social consequences, as it is accepted in the United States or in other Western countries. This difference of conception between Western and Eastern European liberals can be explained easily. In Eastern Europe, modern capitalistic enterprises (in this area predominantly agricultural), and particularly large-sized enterprises, were in an early stage of development. They were somewhat further developed in Czechoslovakia and Austria, and in the '30's began to attain some stature in Poland and Hungary. Under these circumstances and in the face of the limited resources of individual private entrepreneurs, it is understandable that the Eastern European liberals, desiring the industrialization of their countries, sought state support. They asked protection from the state in the form of high customs tariffs, financial subsidies, and currency, credit, and other protective measures. Thus, from an economic point of view, they were influenced far more by the German than by the Western European attitude. German liberalism, guided by the protectionist theories of G. F. List and by Bismarckian power politics, definitely favored building capitalism with the direct and permanent assistance of the state.

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Contrary to many Germans, Eastern European liberals remained true to political democracy but, in the field of economic policy, they were in accord with German views, giving preference to state interference and support rather than to free competition and individual initiative.

Differences in the economic development of Western Europe and the United States, on the one hand, and of Germany and Eastern Europe, on the other hand, influenced the thinking of socialists in these countries and account for the differences in their outlook and their method of political action. While Western socialists sought to realize their aims by their own concerted self-help action (in Anglo-Saxon countries and Scandinavia particularly through trade unionism and political influence exercised in parliaments, in Latin countries either through revolution or political infiltration of public institutions), German and Eastern European socialists tended more and more towards economic and political statism. Moreover, the agrarians of Eastern Europe, like the liberals, socialists, and Christian (Catholic) Democrats, also asked for state action to further their economic and social aims. This tendency to look towards the state for aid in economic matters explains why many liberals, particularly in Czechoslovakia, favored vast social reforms benefiting the working class. It is also worth mentioning that the representatives of the liberal-minded bourgeoisie in Czechoslovakia were always in favor of the highly progressive social legislation enacted in that country.

The tendency to ask the state for support in economic matters was a characteristic of the nationalism of Eastern European liberals. On the whole, however, the nationalism of liberals and of many others in this region was no more intense than the nationalism of similar groups in any of the Western countries, and among the liberals themselves there were great differences in interpreting liberalism.

In Eastern Europe, liberalism was more closely connected

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728 frontiers were another cause for great migrations. Four mil-
167 lion Poles moved from the territory which was incorporated into the U.S.S.R., and millions of Poles, Czechs, and Slovaks moved into districts formerly inhabited by the Germans. Although these changes alleviated the problem of rural overpopulation in Eastern Europe, there was still, at the end of the Second World War, a surplus population estimated at nine million.

665 The Communist parties in various Eastern European
423 states knew very well how to exploit this situation. They
656 knew that it was vital to the success of revolution that the peasantry should not be opposed to it. They knew that the Russian Revolution had been achieved only because Lenin was fully aware of the desire of the peasant for more land.

● 471 Orthodox Marxist theory required that the land be nation-
423 alized and that it be administered by the state. Land was
662 considered the most important means of production, and it
656 had to be treated as such. This dogma was abandoned by Lenin for tactical reasons. He nationalized land in the Soviet Union during the revolution of 1917, but distributed it under ninety-nine-year leases to small and medium peasants for private exploitation. It was the political pressure of the peasants which forced Lenin to change his political doctrine and implement the agrarian program of the Populists, his political opponents. Lenin and his followers did not approve of the peasant who, according to them, was a relic of the precapitalistic society. It was Lenin's view that "small, individual farming gives birth to capitalism and the bourgeoisie daily, hourly, spontaneously and on a mass scale," and that in the future classless society the peasant was to assume the status of a worker on the land as his fellow in town was a worker in industry.

Political expediency determined Lenin's change in tactics. He supported small agrarian property holders only because

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he regarded the peasant as indispensable to the success of his revolution and to the consolidation of his dictatorship. This policy was reversed by Stalin after 1928 when forced collectivization of land in the form of pseudo-cooperatives (collective farms) was introduced in the Soviet Union.

Lenin's agricultural policy was adopted by all Eastern European Communist parties after the end of the Second World War. Being minorities in power, they knew that this was the only attitude they could take to the peasantry, the largest social group in this region. Therefore, they supported small agrarian property holders in the first stage of the development of their agricultural policy. There was only one difference between the Communist agricultural policies of Eastern Europe and Russia. Nationalization of land was not a part of the Eastern European policy, as it had not proved expedient in the Soviet Union and therefore was not contained in the agrarian policy of the Comintern for Eastern Europe in the inter-war period.

The Comintern had taken much interest in the Eastern European agrarian question. In 1923 a Red Peasants International was formed in Moscow as an effort to rally the peasantry to the Communist ideal and to combat the influence of the peasant parties united in the Green International in Prague. The Soviet move to collectivization within the U.S.S.R. in 1929 was not followed by any shift in the agrarian policy of the Comintern. Any mention of collective farming was frowned upon and the whole emphasis was upon attracting or neutralizing the middle peasant by assisting the individual and by supporting with new land reforms the peasant's struggle for more land. This policy was not changed when the Cominform took over the role of the Comintern after the Second World War.

"The land to those who till it personally," was the slogan of all Eastern European Communist parties, and land reforms were carried out in all countries. In Hungary, Albania,

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and in parts of Poland, land reforms were overdue, while in other Eastern European states expropriation and expulsion of the Germans formed the main basis of land reforms. Some forty-eight million acres, including forest land, were expropriated by the governments of which thirty million acres were distributed to some three million peasant families. The remainder was retained by the state.

To dispel any doubts as to the ultimate outcome of these reforms, the distributed land was declared the private property of the new owners, and in most countries it was laid down in the constitutions that "the land belongs to those who till it." The price to be paid by the beneficiaries was low, usually the equivalent of one year's harvest payable in ten to twenty installments. No compensation was paid to the old owners for the expropriated land.

The attitude toward the church and its landed property was less uniform than toward the secular owners. However, after some hesitation, most of the church estates exceeding the maximum size laid down in the land reform laws were also expropriated. In this way the church was deprived of its financial independence and of its economic influence on the rural population.

Even in the Baltic States which were incorporated into the Soviet Union, Stalin's methods were not followed. All the land and its resources, as in Russia, were declared public property and nationalized, and all the land in excess of seventy-five acres was expropriated for distribution, but no collectives were formed. However, through a system of differential delivery and farm taxes, the way was paved for ultimate collectivization.

All these land reforms had done nothing to solve the old agricultural problem of Eastern Europe. On the contrary, they aggravated the situation. The land became more split up than ever, as larger farms were abolished. The reforms did not solve the problem of technical progress, and made the

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8 Industrial and Social Policies of the Communist Regimes

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More than thirty years ago, Lenin defined Communism in Russia as Soviet power plus electrification. In our time, the essence of the situation in the countries of Eastern Europe is the Communist police state plus industrial revolution. Local or imported Communists, under the supervision of the Kremlin, have been for years in full control of all levers of power in these countries. Their basic aim in social and economic fields, just as it is in Soviet Russia, is a complete transformation of society through industrial revolution. To this supreme aim and supreme method, all other issues have been subordinated. The process of this industrial revolution with its many ramifications extends into all fields of human activity behind the Iron Curtain, influences the lives of all ninety million inhabitants of the captive countries proper, and will have profound consequences of moral, political, economic, social, and strategic character not only for these countries but for the world as a whole. From the European point of view, the industrial revolution of Eastern Europe is an outstanding historical event. comparable in its implications to the great wars of the present century. We are witnessing

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the gradual decline of the traditional rural and mainly peasant structure of this part of Europe and the emergence of an industrial urbanized society. This transformation is now in full swing and will continue until it runs its course—no one can say when or how—or until external factors end the Russian control of Eastern Europe and its nations rid themselves of their own Communists. Even then, the industrial development of that area will presumably continue, though for different reasons and with vastly different methods. The Communist regimes may go, but the results of the industrial revolution will remain.

This essay is concerned with the effects of these revolutionary events on the social and economic development of the countries of Eastern Europe. To cover this involved subject adequately, much time and space would be necessary. The writer must limit himself here to the discussion of the few selected aspects of the problem that he regards as fundamental. Discussion of the industrial targets as established by the single countries in their long-range plans, half or more of which have already been achieved, cannot be included in this study.

Suffice it to say here that all over Eastern Europe the Communist regimes are modernizing the existing mines and industrial plants and are building scores of new mines and thousands of large new plants, mostly supposed to produce capital goods as a basis for further industrial production. The anticipated result of the present first series of long-range plans, expected to terminate in less than two years, will be a large increase in the extraction of fuel and the doubling, in some cases tripling and quadrupling, of the heavy industrial potential of the individual nations of this region, some of which had a large industrial output before the last war. This vast operation requires that great numbers of peasants be transferred from agriculture to industry, mining, and construction. Once carried out, the first series of plans is to be

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433 tential in 1938 was, and still is, insignificant. It is claimed that in 1952 the industrial output of the area rose again by about one fifth.

An estimate of the relative industrial strength of the individual captive countries was made recently in a United Nations publication.[3] If the total industrial output of the area at the end of 1952 is taken as 100, the output of Eastern Germany constitutes 34 per cent of this total, that of Poland 27, of Czechoslovakia 21, of Hungary 9, of Rumania 6, and of Bulgaria 3 per cent. The total industrial output of the entire captive area is equivalent, roughly speaking, to nearly 40 per cent of the total industrial output of the Soviet Union.

195 All this rapid, even violent, industrial expansion cannot
● 471 be smooth and is, in more ways than one, terribly expensive.
511 There are no miracles in economics, and wealth can be
464 created at different rates of speed, but not at will. The tremendous increase of the state-owned industrial plant in this area is only feasible because the citizens have been deprived of their individual capital, because the consumer demand is being systematically curtailed, and because more and more of the national income, siphoned off by taxation, inflation, and other methods, is being reinvested in industry. This reinvestment is being done at great cost to agriculture. Quantitative industrial progress is also speeded up by the fact that the police state has the means to make everyone work. The prewar urban unemployment and, to some extent, the huge peasant underemployment, caused by the extreme subdivision of rural property, are things of the past. Billions of manhours which were wasted before the war in enforced idleness are now used for production or, at least, are on tap for production purposes. On the other hand, a large proportion of the men and women kept in concentration and labor camps

[3] *Economic Bulletin for Europe* (Geneva: United Nations, 1952), Vol. V, no. 2 (July, 1953), p. 84, Table 1.

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produce litt'e, if anything, and the vast apparatus of standing armed forces, of police and poli ical supervision, of party machinery and propaganda, does not create wealth but consumes it. The onetime waste of unemployment has been partly supplanted by the waste of the immense state machinery of control and compulsion inherent in all totalitarian systems and particularly odious under Communism.

In addition to this costly political overhead, there are three other burdens to the national economies of these countries. One is the cost of planning both on a national scale and in minute detail, an economically unlikely proposition, resulting in duplication of work, omissions, bottlenecks, and other forms of economic confusion. This has been one of the main reasons why the Yugoslav Five Year Plan has never been fully realized. This type of waste can only be eliminated very gradually, if at all. The second type of waste is directly due to Communism. In the free world, private property is fairly generally respected and cared for by its owners and by the public at large. Public property, being the exception rather than the rule, also enjoys respect and cases of vandalism are few. In Eastern Europe, state property is the rule, and very few people give it proper respect. The Communists are aware of this general neglect and the ensuing injury to the economy but believe that in time society will be taught to take care of what is defined as people's wealth. However, during thirty-five years of Communism in Russia, there has been little progress in this direction. The third burden on the state economy is a specific feature of the countries of Eastern Europe. All of them have to pay heavy tribute to the Russian big brother. Russia exploits the captive nations in many ways: by reparations in kind, mixed companies, trade agreements, high prices for imports from Russia and low prices for exports to Russia, maintenance costs for Soviet troops, high salaries for Russian experts and advisers, and the like. These nations cannot express themselves on this topic, but